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A LIBERAL THEORY OF CONSTRUCTIVE STATECRAFT

Presidential address delivered at the Forty-sixth Annual Meeting of the American Economic Association, Philadelphia, Pennsylvania, December 27, 1933

Classical and neo-classical economic theory is commonly associated with a form of liberalism that was more largely directed toward the repeal of old laws and regulations than to the constructive development of institutions to meet new social problems. In the past the chief emphasis has been laid upon these destructive accomplishments of economic liberalism. It has therefore been easy to overlook the actual constructive accomplishments of the early nineteenth century, and many are disposed to believe that these positive achievements were inconsistent with the primary postulates of classical and neo-classical theory. It must be confessed that there is confusion of thought in the writings of the early nineteenth century economists; but a positive theory of constructive statecraft is implicit in the basic liberal concepts. The most characteristic features of classical theory lead directly toward a broad concept of the task of the state.

Classical theory was based upon the concept of an orderly and rational system of nature, and the concept of a contractual society. We need not concern ourselves here with the precise forms in which these concepts were held by the economists of the nineteenth century, because it is more important to direct our attention to the full content of these ideas than to the imperfect and incomplete formulations that have prevented liberal views from achieving their full development.

The science and philosophy of the nineteenth century has greatly enlarged the scope of both of these fundamental concepts. The philosophy of nature has been profoundly changed by the development of the chemical and biological sciences and by the new achievements of astronomy. Bare mechanical categories of cause and effect have been supplemented by concepts of adaptation, and of reciprocal determination. Concepts of absolute laws of nature have been softened so that we now recognize that the scope of any particular generalization is conditioned by its place in some system of relations. We recognize, too, that no single system of relations exhausts all possible interests or interpretations.

In like fashion our attitude toward social and economic institutions has been profoundly transformed since the publication of the *Wealth*

of Nations. The development of the concept of evolution has exerted its most direct influence upon economics by placing institutions in a new light. The older writers commonly refer to the "existing" institutions, or to the "existing" system of private property. The explicit descriptions of the institutional system were thus static, and rarely is there any positive recognition of historical process in the sense of continuous change. Even the most devoted adherents of pure theory, today, recognize the fact of historical development and the essentially dynamic quality of the basic phenomena of economic life. We are all familiar with secular trends, cyclical movements, and incidental fluctuations and variations. These phenomena can now be distinguished explicitly even though full analysis is still incomplete.

But although the basic postulates of theory have been restated in much more sophisticated forms, they have not lost their identity. In fact, we might even say that we are only beginning to appreciate the full significance of the concepts of the early classical writers. The concept of social evolution is deeply imbedded in their thought, despite certain infelicities of expression and despite their failure to follow out the implications of what was at the time a novel and unfamiliar idea. The utilitarian concepts of Bentham and John Stuart Mill express, in addition to many other things, a specific concept of social adaptation. Both Bentham and Mill achieved notable concepts of an historical process. They recognized that specific institutions may possess constructive social significance—utility—at a particular period which they may at a later time cease to possess because of social change. The utility of particular institutions thus becomes a criterion for the legislator in considering social policy; institutions which have lost their utility should be discontinued, those which promise to be useful may be established or developed. Mill's discussion of rights of property contains important historical implications, though historical facts are not stressed at any point. The entire discussion rests upon an explicit concept of historical development in which the state may play an active and constructive part.

In other respects, too, the notion of historical process appears in the classical writing. The references to institutions are, indeed, couched in essentially static terms, but references are made to different moments in the process of social evolution. The process is always thought of as a whole, and this sense of unity was so strongly felt that the writers were not conscious of the dangers and ambiguities involved in neglecting to distinguish between the moments of reference. In discussing such an historical process there are three primary moments of reference that are especially useful in abstract analysis. We may refer to the process at its beginning, when we assume that all its content is implicit; we may

refer to our own present, when much development has taken place, though many features of the entire system are incomplete and imperfect; or, using our imagination, we may refer to the ultimate achievement of the full content of the process, when we presume that all the imperfections and inadequacies have been overcome and the system stands forth in its full perfection.

The assumption that economic generalizations were valid throughout the historical period rested upon the concept of the unity of the process of institutional development. The ultimate achievement was taken to be no more than an expression of relationships which exist at all times and places irrespective of the institutional devices required for their manifestation. With such assumptions it was obviously a matter of indifference whether abstract analysis concerned itself with the bare relations implicit in social life or with their objective manifestation in a fully developed institutional system. One might discuss either the economic phenomena of primitive society or the operations of the perfected system of private property and contract which would ultimately emerge when the obsolete survivals of the feudal order had been entirely eliminated by liberal reform.

This position had elements of logical significance. But there was little positive defense for the common presumption that the process as a whole could be thought of as the existing order. To assume that the given moment could be identified with the ultimate end of the process, involved the tacit assumption that the process was already approximately complete, so that the developments of the future were really negligible. This is a dangerous assumption, but it is by no means an uncommon tendency of idealists. The imagination is not so severely taxed if it seems certain that the consummation of all hopes is awaiting "just around the corner." The nineteenth century liberals were thinking in terms of a final achievement of the free society in the immediate future.

Underlying all these confused references to the history of institutions there was thus a positive concept of evolution that was truly remarkable. For most of these notions appeared before there was any systematic theory of social evolution. Accordingly, we are justified in feeling that the explicit development of the theory of social evolution is no more than a working out of ideas which were significantly present in the classical writing. There is positive continuity of thought.

The transition from the early form of liberal doctrine to the latter form involves only two new elements. We must recognize that we cannot refer indifferently to any particular moment in the process as if it stood for the whole. Although we may properly discuss the phenomena at any stage, and although our discussions will have some significance for the analysis of the process in its entirety, each of the various mo-

ments in the process must be distinguished. We should always be clear in our minds as to the moment of reference; whether it be the beginning, the end, or the specific present. The need for this accuracy in statement scarcely requires elaboration. It is really no more than common intellectual tidiness.

The second element of novelty involves a genuine development of doctrine. It is important to recognize the insufficiency of a concept of social evolution that involves nothing more than the explicit manifestation of elements that are all present at the beginning. The notion that the totality of relations is implicit at the outset has many logical attractions, but the historical consequences are serious. If it be true that the end of the process is implicit at the beginning nothing really new actually happens. Time and history would, in this case, merely display a sequence of events which follow each other by mechanical necessity. The difficulties involved in such a view have been extensively explored by Bergson and other modern philosophers; and the earlier concept of process so brilliantly expressed by Hegel must be deemed unsatisfactory. We must adopt some concept of historical process that recognizes the accumulation of new elements around a basic nucleus. The precise detail of the process is not important for the particular problem in hand, once it is acknowledged that new things happen and that the movement of history is not a mechanical display of unconscious cosmic force. We must, however, find some means of assimilating definitely new elements to the moving process. Otherwise life and history are no more than a rigidly prescribed pilgrimage of grace. The concept of evolution implicit in the classical economics was too thin to exhibit its most significant properties. There was so much mechanical necessity in its movement that it afforded too little scope for the positive activities of either state or individual. There was adaptation, but of a passive kind that was scarcely more than a mechanical response to the material or the social environment. The adjustments even of individuals were commonly assumed to involve no more conscious choice than a narrow mathematical calculation of profits and losses. Once we recognize the reality of innovation over wide fields of activity, the significance of constructive activities of both state and individuals becomes strikingly clear.

The acceptance of the evolutionary concept in any broad form requires us to assume that the end of the process of development is remote. The present moment cannot be identified with the end of the process. We cannot assume that our institutions are approximately mature and adequate, so that the imperfections of social organization can be deemed negligible for purposes of theoretical analysis. It is essential that we should be keenly conscious that the imperfections of adjustment are important and that positive, conscious action is essential to overcome

them. Further, any given society will always find its institutional mechanisms inadequate and imperfect, because changing conditions create new needs and problems for which self-regulating mechanisms cannot instantly be created. Regulation is thus essential even in a society that tends to be self-regulating.

Closely associated with this fact of imperfection in social organization is the problem of monopoly. Though generally recognized and extensively discussed, monopoly was assumed to be a mere incidental intrusion into a social system that was predominantly and naturally competitive. The older theory assumed monopoly to be foreign to the natural order of a contractual society, though both natural and legal monopolies were recognized. This position was in part justified by the older theoretical contention that monopoly price emerged only under conditions of substantially complete control of supply. All intermediate conditions between pure competition and pure monopoly were presumed to reveal an essentially competitive price structure. Recent developments in theoretical analysis have completely overthrown this view; and we must consequently recognize that important monopolistic powers emerge over an extensive range of cases of monopolistic competition. We are thus forced to recognize that society is not inherently competitive. The range of effective competition is much narrower than was long supposed, and doubtless we may say with truth that competition has never been effectively organized over the major part of trade and commerce. The regulation of monopoly is thus a much more important field of activity than the classical economists assumed it to be, and their own principles now require an extension of the activity of the state far beyond any limits that they would have supposed to be essential.

The modern liberal thus believes that social evolution is a constructive process which involves active participation of both individuals and state. There is no guiding hand other than the collective wisdom of each generation. By reason of persistent imperfection and maladjustment, the remedial activities of the state must needs be extensive; and, as monopoly is ever present over a wide field, vigorous regulation is essential to the protection of the welfare of the public. Modern liberalism thus presents an entirely new outlook on life, despite a certain continuity of thought that really reaches back to the sixteenth century philosophy of the Commonweal.

The full significance of these extensions of the range of state activity will be more explicitly perceived if we turn to some contemporary problems. Any development of national planning might seem to be wholly inconsistent with the basic concepts of liberalism. Planned or regulated production of certain basic mineral products can be urged by the liberal on two important counts: conservation of primary resources in the

interest of society as a whole, and the regulation of the monopolistic conditions almost certain to arise in the large-scale enterprises based on these mineral deposits.

Many are disposed to question the possibility of assimilating national planning even in basic industries to the so-called "competitive" structure of modern society. These doubts ignore many of the realities of the industrial development of the last forty years. National planning has long existed in important fields both in this country and in Germany. If we consider the actual conditions in the iron and steel industry of the United States since 1890, and forget for the moment all the sophistications created by the Sherman law and the Supreme Court, it is fairly evident that the leaders of the industry have deliberately controlled the rate of investment in the industry, the balance of facilities for the production of the primary classes of products, and the approximate rate of annual production. We cannot legally admit that this is the case, but such is the simplest description of what has actually taken place. On the whole, there can be little doubt of the essential wisdom of these arrangements and no little credit is due the industrialists and jurists by whose ingenuity these activities were brought within the law. In Germany, of course, the activities of the cartels and large-scale industries are still more evident, and the nationalization of various industries since the war is a notable demonstration of planning. In these fields national planning does not really involve any bureaucratic control of the details of industrial organization, but merely recognizes the presence of monopoly or monopolistic competition. The normal sphere of direct governmental activity would thus be the regulation of the monopolized industry in the interest of the public.

The general concepts of liberalism are certainly not inconsistent with an extension of regulated monopoly to transportation and to the production of oil, coal, ferrous and non-ferrous metals, and electricity. Both England and Germany are already far in advance of us in respect of the development of interconnected production and distribution of electricity. The policies of these countries are certainly more consistent with liberal principle than the policy or absence of policy that has until the present year characterized our activities in these fields.

Closely associated with these problems is the question of the nature of the rights of private property. Wild-cat oil production has been defended in this country for two generations because any interference with the individual would constitute a confiscation of property. This reasoning ignores entirely some of the simplest aspects of comparative jurisprudence. There is no general principle of law by which surface rights are inevitably extended to underlying minerals. In Spanish colonial law all property in minerals vested in the crown. All persons were entitled to search for minerals, and authorized to exploit minerals dis-

covered upon payment of certain dues to the government. In Cornwall, and in the lead mining area of the Mendip hills, surface owners had no exclusive rights to undiscovered minerals nor any right to prevent the search for minerals. Rights to the precious metals in England vested in the crown, and at a critical period in the sixteenth century coal barely escaped inclusion within the category of mines royal. The precise limits of rights of property are not very specifically defined. Limits vary in different jurisdictions and at various times. The redefinition of these limits constitutes one of the most interesting and significant aspects in the evolution of our modern contractual society. Recognition of the fact of social development necessarily commits the liberal to continuous redefinition of the rights of property. This important feature of public policy was clearly perceived by John Stuart Mill when he said "the institution of private property can be improved."

The uncertain future of the gold standard and the current discussion of various forms of managed currencies raise issues which carry us more specifically beyond classical theory. The automatic gold standard was intimately bound into the early liberal concept of a self-regulated society in which government control and interference were casual and exceptional. The modern analysis of credit would seem to involve a serious break with characteristic liberal concepts. It certainly involves a complete abandonment of a concept of social adjustment produced by individual acts and choices in which the specific personal interest is the sole basis of the judgment or choice. Each individual by following his own interests was presumed to promote the achievement of a general social welfare that was never consciously considered by anyone, whether individual or government official. This view was vividly expressed in respect of banking policy. The function of the bank was reduced to the task of supplying the credit demanded by the trader; and, though it was recognized that only "legitimate" demands must be granted, this qualification meant merely that only *bona fide* commercial paper based on actual goods might safely be discounted. The banker was thus merely the passive servant of the trader. Under these circumstances, the government need merely insist upon the maintenance of the convertibility of credit into gold, by preventing imprudent issue of notes or imprudent neglect of reserves.

None of the outstanding modern analyses of credit accept such a passive concept of banking policy. It is pretty generally recognized that banking involves not only serving the trader but in a measure directing the general course of his activities. Management of the currency is an inescapable necessity. The present problem is to discover the true objectives of currency management, and to discover appropriate means of credit control.

The enlarged concepts of the system of nature bring new elements

to the description and analysis of the processes of economic and social adjustment; but the changes affect details rather than essentials. The early identification of liberalism with the doctrine of non-interference was due to a misconception of the process of adaptation. The restatement of liberal doctrine is thus a correction of an unfortunate error; a necessary enlargement of the concepts of nature and social process. We must recognize that both individual and social adjustment is the result of conscious effort. Although we can reconcile the achievement of individual ends with the welfare of society as a whole, it does not follow that general welfare can be achieved without positive thought and effort, as a mere residual consequence of the enlightened selfishness of individuals. It is no longer possible to accept any concept of a mechanical self-regulating society that excludes the state as an agency of change. The state must needs be an active participant in social process.

The recognition of such extensive fields for the activity of the state may seem to destroy all distinction between liberalism and various forms of nationalism and radicalism. Important differences still remain, both in principle and practice. The liberal concept of the function of the state and of social process is realistic. Statecraft is treated as a process of adjustment and adaptation. The only aim is the achievement at each moment of the greatest measure of social welfare, national and international.

Other concepts of statecraft are frankly idealistic. The nationalist sees only the national state as an end of social and economic policy. The socialist sees some form of socialist state. The radical pursues various ideals according to his lights. None of these systems of statecraft sufficiently recognize the limitations imposed upon our conscious action by objective circumstance. All these systems of thought assume that society can be made to conform to some abstract ideal. The statesman is presumed to be able to accomplish his will. Since the days of Jean Bodin liberals have steadfastly opposed this concept of social process. They have endeavored to demonstrate the ways in which the development of social life and social organization are modified by external circumstance. They have endeavored to analyze historical process and economic phenomena, so that by the cunning of reason the laws of nature may be made a means to our social ends. But we conquer nature only through the understanding of her ways. Social development is not a demonstration of the superiority of the mind over matter: conscious activity is itself an aspect of the system of nature.

The enlargement of the concepts of historical process and of the system of nature do not modify in any essential respect the general issues between the liberal and the idealists. The analysis of the localization of industry based upon liberal principles affords no grounds for

presuming the antagonisms of economic interest that are assumed by the nationalists. Nor is there any basis for the assumption that the primary features of the territorial division of labor can be significantly modified or controlled by protective tariffs. At the most, tariff measures can soften the shocks produced by technological changes. These effects are certainly not negligible, but they do not play the dominant part in economic development presumed by the nationalists.

The hope of the socialist that poverty can and will be abolished seems to the modern liberal merely an ungrounded act of faith; significant as a motive for reforms, but incapable of realization. The objective limitations to the satisfaction of our wants rest upon costs rather than upon absolute scarcity. Former ages seldom experienced an absolute lack of necessities: in the world as a whole there was bitter want in particular localities, because the commodities needed were available only in a relatively distant region. Technological improvement changes the incidence of scarcity and of cost, but it affords no guarantee that all the requisite commodities can be placed in the hands of all consumers under conditions of cost compatible with the functioning of society. Scarcity has always been relative: and in this sense it remains a permanent economic problem. Cost must needs appear in any form of society, even though the rules of allocation are changed. The fact that some of the costs of the Soviet electric plant on the Dnieper were not borne by the industry itself, does not mean that they do not exist as a factor in the budget of the state and in the supply of consumer goods available to the people.

It is doubtless within the power of society to relieve the more extreme forms of destitution, but there are positive limits to actual accomplishment. The Webbs and others have shown that destitution is essentially a phase of maladjustment. This is in part due to social deficiencies, but in part due to the failure of the individual to meet the requirements of his environment. Remedial measures can be applied to most of these problems, but, even if there were no resistance to the application of the broadest measures for social control, the actual achievement would be partial and inadequate. Maladjustment is by nature a continuing problem. We can only work toward mitigation of the severity of its consequences and toward the reduction of the time required to make new adjustments.

These qualifications will doubtless seem very unsatisfactory to the idealists; but much of our recent experience should remind us that ideals have a price—possibly too great a price. The severest shocks of the past generation have been due in no small measure to illusions born of our ideals. The war developed during a period in which many supposed that the new achievements of science and culture would make war impossible. The war fought to end war produced a peace which

seems likely to end peace. Then, in the years of post-war recovery, we were told that the new economics had eliminated the business cycle; and many believed these new prophets of the millenium. We have suffered many disillusionments, and made many mistakes because we have succumbed to the spell of ideals. Too frequently ideals misdirect the action they inspire. It would seem then that the realism of the modern liberal can contribute much to the discussion of current problems and exert a wholesome influence upon contemporary social policy. Though it may arouse less enthusiasm among the masses, it is a safer guide for party leaders and for statesmen.

ABBOTT PAYSON USHER

Harvard University

ECONOMICS AND THE NATIONAL RECOVERY ADMINISTRATION

The N.R.A. went into effect at the peak of a revival containing speculative elements bound to lead to a recession, which has since come. The work-sharing program has succeeded in increasing employment and payrolls during the setback of general business, while retail buying has been correspondingly sustained.

The Act is criticized as sacrificing a revival in the field of capital equipment to sustain demand for consumers' goods. However, the Securities act and monetary uncertainty contain more unmistakable handicaps; and the removal of obstacles in these fields may be sufficient. As to the N.R.A., danger lies not only in the raising of industrial costs, but in the measures taken to compensate by protecting profits.

Surplus labor will not soon disappear even with revival; the development of the domestic market will not automatically keep pace with increasing productive power; hence there is continuing need to deal with these problems and to attempt to base recovery more on diffused consumer purchasing power and less on an inherently temporary boom in capital equipment.

The organization of the N.R.A., viewed as a social constitution for industry, is only a step, though in line with what is probably an inevitable development.

It is undoubtedly too early (December, 1933) to assess the specific results of the National Industrial Recovery act and to determine precisely where it succeeded and where it failed, where its purposes were maintained consistently and where they were perverted by the force of special interests, evaded or turned into sheer waste motion by meaningless formal compliance. The Act is hailed as a means of recovery and condemned as a fatal handicap. It is variously described as the long-needed introduction of guiding purpose into our economic system, or as one more example of muddling through with a jumble of ill-assorted and possibly conflicting objectives brought together under no clearer master-rule than that of expediency. It is disparaged as a temporary expedient which cannot pass away too quickly, and pointed to as an enduring achievement on which history will look back as the formative stage in the revolution which introduced a social constitution into industry. As to this last, naturally, we must wait for history to give the verdict.

After nearly four years of depression, there was increasing doubt whether the "natural forces of recovery" were competent to restore prosperity, and increasing skepticism of the soundness of any prosperity which might be restored in this way. Purchasers' reserves seemed exhausted, removing one possible source of an initial upward impulse. Conservative economists were disposed to admit that this was far more than merely an unusually severe depression of the customary type; while others less conservative were announcing the signal of the final break-up of the capitalist system, not immediately, but after a few more depressions of increasingly catastrophic character. There was plenty of reason for thinking, not simply in terms of immediate recovery, but of a type of recovery which would not be merely one more step toward final dissolution. And from this standpoint there was reason for distrusting the customary business processes of revival.

Among the forces of depression which might possibly afford a handhold for policies of recovery, an outstanding one was the world-wide collapse in the price structure, with its especially heavy incidence on our exportable agricultural products. Hand in hand with this went the disruption of international trade, which must either be overcome or furnish the setting in the face of which recovery must be made. Unusually heavy surplus plant capacity was another fact conditioning the process of recovery. And a new importance was attaching to the problem of widely-diffused purchasing-power.

During the post-war prosperity, business men had widely accepted the doctrine that such purchasing-power was essential to the prosperity of large-scale industry; and now they were seeing that force reversed and working against them in a paralyzing way. The vicious circle of idle industry due to shrunken purchasing power and shrunken purchasing-power due to idle industry, had been elevated from a theory to a condition too pressing to be ignored. Whether or not more diffused purchasing-power was essential to a revival of some sort, there was strong support for the idea that it was essential to a sound one. These factors were important in the background of the effort toward recovery.

The nation emerged from the banking holiday of March, 1933, into a revival of productive activity which went forward at a remarkable speed until July. This was part of a movement which was general among the nations of the world, but was intensified in the United States. Prices rose moderately in other countries; while here, under the influence of the policy of monetary depreciation, the wholesale price-level rose approximately seventeen per cent from February to July[1] and costs of living rose only a fraction of that amount. The response to this situation was conditioned by a buoyant mood for which President Roosevelt can claim credit. His inaugural address captured the imaginations even of persons not disposed to be lightly stampeded, and his genuinely skillful and courageous handling of the banking crisis did nothing to dispel this feeling.

There was, however, little solid industrial ground for so sudden and large a revival. It was probably due in large part to psychological and speculative factors, including buying in anticipation of rising prices, and of demands expected as a result of increased public works. Such a strong movement at such a time could hardly continue without a setback; and the setback which has actually come is not to be wondered at.

In the favorable setting of this revival the National Industrial Recovery act was framed, becoming a law on June 16, when the revival

[1] See F. C. Mills, *Aspects of Recent Price Movements*, Bulletin Nat. Bureau of Econ. Research, October 31, 1933. Table II. The bulk of the increase came in the 3-month period April to July.

had reached its climax. Thus the Act was not imposed on a completely prostrate industrial system, nor was it the sole reliance for initiating recovery. However judgments may differ as to its effect, a sound appraisal must keep these facts in mind.

Needless to say, the Act did not stand alone, but was part of an extraordinarily wide-reaching program. It included monetary depreciation, banking reconstruction, relief for borrowers, farm credit reorganization, more stringent control of the issue of securities, subsidized restriction of crop acreage, transportation coördination, reorganization of the budget and other measures.

In the midst of these various activities comes the National Industrial Recovery act, consisting of two grand divisions: One is a program for the spending of three billion three hundred million dollars for public works; and to this program the machinery of the Civil Works Administration has recently been added. The other is a novel program for industrial control.

The basic structural feature is the setting up in each industry and trade of representative organizations which are taken into partnership with the government in carrying out the purposes of the act. They are to adopt codes subject to public approval, while the President has the power to prescribe a code if no acceptable one has been formed by the industry itself. A temporary reëmployment agreement or "blanket code" was drawn up, to which employers were urged to subscribe pending the formation of codes for their specific industries. A basic requirement for the codes was a provision protecting the right of collective bargaining and forbidding coercion in favor of company unions, but not otherwise taking sides in this issue or making collective bargaining compulsory.

Under this scheme a massive structure of boards has been set up, including code authorities, advisory boards for industry, labor and consumers, compliance boards and labor boards. Employers complying with the Act are granted the use of the device of the "blue eagle"; and purchasers are urged to trade with those displaying this device.

The main objectives sought by the use of this machinery are:

(1) Work-sharing is brought about by limitations on the number of hours in the standard working week. This is done under provisions aiming to force the employer to take on additional workers, in sales or service employments where total hours of service might be shortened or the desired result otherwise circumvented. For instance, in the "blanket code," hours for clerical and sales forces are limited to 40 per week, while hours of operation for the store or service itself must not be reduced below 52. The general retail code allows longer working hours if hours of operation are above the minimum, but maintains the principle of a spread of at least 12 hours per week between hours of store opera-

tion and hours of work for employees, while the hours worked must be continuous except for one hour off for lunch. This still leaves it technically possible to stagger the employees' hours in such a way as to leave the store short-handed for one hour after opening, one hour before closing and two hours at lunch-time, without taking on additional clerks.

(2) Coördinate with the reduction of working hours is the attempt to prevent total dollar earnings per worker from falling with the shortened week; and in particular the setting of minimum wage-rates for the lowest-paid occupations.

(3) Prohibition of child labor is extended.

(4) The trades are given the opportunity to prevent destructive and anarchistic competitive practices by setting up codes of fair competition, free from the prohibition of the anti-trust laws, but subject to government approval like all other code features.

(5) As to prices, the hope and purpose has been that the trades should at least temporarily absorb the increased costs imposed by the labor features of the codes, hoping to be compensated by the gains from increased output. And the general rule was adopted that increases in prices should be limited to actual increased costs. Under the "blanket code" employers are bound:

> Not to increase the price of any merchandise . . . by more than is made necessary by actual increases in production, replacement or invoice costs of merchandise since July 1, 1933, or by taxes or other costs resulting from action taken pursuant to the Agricultural Adjustment act, and in setting such price increases, to give full weight to probable increases in sales volume and to refrain from taking profiteering advantage of the consuming public.

This general price policy is combined with special treatment where special and urgent need appears. The whole policy of valorization for outstanding agricultural staples is of a totally different sort. The petroleum code provides for limitation and allocation of output and price fixing; several other codes allot output on a quota basis or fix prices; a number forbid selling below cost and at least one code undertakes to limit installations of plant equipment. This whole realm of controls over specific prices has not yet been integrated with the monetary policy aiming at a large increase in the general price level. On the face of things, these two realms of policy are mutually inconsistent.

(6) Where imported goods are found to compete with domestic products in such a way as to prevent the successful operation of industries under the codes, additional protection may be imposed by quota restrictions or increased taxes on imports.

So much for the direct and obvious objectives of the Act. We may further ask: What are its basic guiding purposes; what ends is it intended to promote? And we shall reach the kernel of our inquiry when

we come to grips with the question: what ends is the Act calculated to promote in its actual operation—what results are likely to follow from it?

According to the statement of the purposes of the Act given in Title I, Section 1, it aims:

> To remove obstructions to the free flow of interstate and foreign commerce which tend to diminish the amount thereof; and to provide for the general welfare by promoting the organization of industry for the purpose of coöperative action among trade groups to eliminate unfair competitive practices, to promote the fullest possible utilization of the present productive capacity of industries, to avoid undue restrictions of production (except as may be temporarily required), to increase the consumption of industrial and agricultural products by increasing purchasing power, to reduce and relieve unemployment, to improve standards of labor, and otherwise to rehabilitate industry and to conserve natural resources.

Thus the Act is presented as, in the main, an instrument of recovery from the immediate depression, but with certain general purposes which may go beyond this immediate need. In signing the Act, President Roosevelt stated: "Industry has long insisted that, given the right to act in unison, it could do much for the general good which has hitherto been unlawful. From today it has that right."[2] The Act thus includes an organization which may be allowed to prove by trial and error what specific purposes it can serve and what results, desirable or otherwise, it is calculated to bring about. To that extent the purposes of the Act cannot be judged in advance of actual results.

For purposes of analysis, the possible objectives of the Act can probably best be classified as follows:

(1) Relief, in the broad sense of applying the existing national dividend, or national volume of production, to cover the needs of the otherwise destitute through some kind of sharing between those who have sources of income and those who do not. Construed in this way, the program of shorter hours and work-sharing comes under the head of relief; and it is difficult to see what other purpose it clearly subserves.

(2) Immediate recovery: the increase in the volume of production and general business activity.

(3) More enduring stability in production, business activity, employment and economic conditions in general. This carries the highly desirable and important purpose of attempting to insure by some means that any recovery that may come about shall be of a more stable sort than previous periods of "prosperity" which have ended in further depressions, and have apparently done so for reasons rooted in the character and type of "prosperity" which they represented. This purpose falls naturally into two parts: immediate policies bearing on the

[2] Quoted in Beard and Smith, *The Future Comes*, p. 145.

character of the initial revival, so far as that character may go to determine how stable and enduring it is likely to be; and the setting up of instruments or the testing of policies which may later be used to control the revival after it has developed further.

(4) Generally desirable objectives which have no necessary or vital connection with the control of booms and depressions, improvements in social welfare or in competitive conditions, or the setting up of machinery through which such improvements may be brought about in the future.

These purposes are all legitimate and even necessary; but to weld them together in one program is not a simple and easy task. The main criticism now directed against the Act is to the effect that measures pertinent only to long-run ends and general social reforms have been allowed to get in the way of the immediate requirements of recovery, until this primary objective is in danger of being seriously handicapped if not entirely defeated. The attack is centered on the cost-increasing features of the Act, and their effect on the course of business revival.

On its face the course of events points toward a simple conclusion. There was a strong revival. It turned into a heavy setback about the time the codes began going into effect. Thereafter numbers of workers employed and total payrolls continued to increase, while volume of production declined. Something is not as we should wish it to be, and circumstantial evidence points to the N.R.A. codes as being better measures of relief than of revival. Being duly cautious about accepting circumstantial evidence, let us examine the course of events a little more in detail.

The revival in the United States was part of a world-wide movement affecting both production and prices. The Federal Reserve Board's index of industrial production—an index of a sensitive type—shows a revival dating from the low point reached in July, 1932, when the index stood at 52.8 per cent of normal. After holding a rise of about eight points for the last four months of 1932, there was a decline culminating in March, 1933, and presumably due to the banking crisis. After dropping to 54.6 in March, the index rose to 61 in April and continued steadily upward until it reached 91 in July. Then began a decline which was slightly less rapid than the rise, and which appears to have been checked after a loss of about half the ground gained. Both the advance and the decline were most marked in such basic industries as steel and lumber, while general consumers' goods and retail trade were not so strongly affected. On the decline, retail trade has apparently held up well, and even increased recently in regions in which wages had previously been especially low and where the code rates represented larger increases than in other sections.

The course of wholesale prices reflects the same movements which

show in the index of industrial production, but naturally with some differences. Both the first revival of production from the low of July, 1932, and the second from the low of March, 1933, were preceded by upward turns in wholesale prices. The low point of wholesale prices for the whole depression came in February, 1933, but the sharp rise did not begin until April and lasted until July, tapering off in August and September (when industrial production was already declining) and then coming to a standstill.

The crucial months for judging the effects of the N.R.A. codes are July, August and September. The first code approved was in the cotton textiles industry, which had already been working in a similar direction and was therefore prepared. This code was approved July 9, going into effect July 17. The bulk of the codes went into effect in August and September. But the explanation that the codes were responsible for the whole reversal of a rapid recovery is too simple.

As to prices, one must remember that in late July and especially in early August the dollar temporarily ceased to fall on the foreign exchanges and began to rise. Thus the force of foreign-exchange depreciation was entirely removed, and it was natural enough that the rise in domestic prices changed from a gallop to a crawl, and that the group of raw products of American farms actually declined.

As to industrial production, it has already been pointed out that the extremely rapid rise was in itself suspicious and pointed to temporary and speculative causes at work. Recoveries from such long prostration do not happen in that way. It far outdid the remarkable quick rebound from the sharp but short depression of 1921; and in 1933 this was too good to be true. In fact, several special features probably contributed to bring it about. The recovery which was already under way had been checked by the banking crisis culminating in March; but consumers still got goods; and when regular financing was restored, there were inventories to be replenished and back production to be made up. Before this impulse was exhausted, monetary depreciation was doing its work, and materials were being bought in anticipation of future increases in prices, which had been well-nigh promised by the announced government policy. Seldom do speculators have anything so nearly approaching a guarantee! To this impulse was added the effort of some producers to build up a stock of goods at existing costs of production, before the codes should raise costs. And the prospect of billions of dollars to be spent on public works gave a special impulse to this same sort of thing in the field of building materials. So when the codes began to go into effect, productive needs had been to a considerable extent anticipated: some of the work belonging to those months had already been done. Taking all these factors into account, it is difficult to escape the con-

clusion that a very large part of the 1933 revival of production represented sheer inflation, much of which was bound to be squeezed out as soon as the codes went into effect. So the shrinkage may have meant little more than that a part of the production to meet requirements of August and September had been crowded into June and July. With this surplus worked off and prices at least momentarily stabilized, November and December mark only the beginning of the real test whether industry can and will maintain a continued revival under the conditions imposed by the N.R.A. codes.

One contrast between the upward movements in prices before and after July has been pointed out by Professor F. C. Mills.[3] Until July, the movements tended on the whole toward bringing the commodities which had lost ground most heavily back nearer to their pre-depression or their pre-war relation to other commodities. In September and August, the reverse was the case. For example, raw products of American farms had lost ground the most heavily of any of the groupings made by Professor Mills; they made the greatest gains in the revival of February-July, 1933; and in August and September they lost ground, not only relative to other groups, but absolutely. Thus there was a setback to the move to restore the relative purchasing power of farm products as compared to other things. Whether this setback was a misfortune or not is debatable; and in any case the part which may have been played by the N.R.A. in helping to bring it about, through raising costs of producing non-farm products, cannot easily be disentangled from monetary influences.

In the immediate attempt to increase employment and payrolls, the Act seems to have succeeded. The best estimates place reëmployment at about 4,000,000 since the beginning of revival.[4] Mr. William Green, in an article published December 17, estimated that since March, 3,600,000 workers had been added to the payrolls of private industry and 600,000 employed on public works. During the spring revival, reemployment went on at a rate of 500,000 per month, while in August and September, with the codes going into effect and business declining, the rate of reëmployment was 850,000 per month.[5] So far as one can judge from data not wholly comparable, the increase in numbers on the payrolls during the spring revival was considerably less than the increase in production itself. Under the N.R.A., Mr. Green estimates that average hours per week in industry declined from 43 to 37½, while average

[3] See *Aspects of Recent Price Movements*, cited above.

[4] *Cf.* statement of Henry I. Harriman, President of the National Chamber of Commerce, made on November 8, *Proceedings*, Academy of Political Science, January, 1934, p. 77.

[5] "National Planning Labor's Point of View," New York *Times*, December 17, 1933.

wages per hour rose from 43½ cents to 52½ cents. This indicates a rise of 5 per cent in average weekly earnings, while costs of living went up approximately 6 per cent, indicating a decline of about 1 per cent in real wages per worker. Thus total payrolls, measured in real purchasing power, went up by practically the full amount of the increase in numbers employed. This could hardly fail to produce a favorable effect on retail trade and the production of consumers' goods. The effect on producers' goods is more doubtful. The experiment constitutes a thorough-going trial of the diffused-purchasing-power theory, applied to industry, not in a state of utter prostration, but in the early stages of revival, complicated by the fact that the revival was inflated by temporary speculative elements and anticipatory production.

The case against this payroll-raising program as a measure of recovery has perhaps been most strongly stated by Leonard P. Ayres, in his book, *The Economics of Recovery*. The argument runs substantially as follows. Business fluctuations center in the production of durable goods: capital equipment and durable consumers' goods. Fluctuations in the field of perishable consumers' goods are relatively small and correspondingly less important. A general revival requires a revived demand for capital equipment, and the essential conditions for this are: a prospect of profits, and freedom from obstructions to the mechanism for raising capital funds. There is now a potential demand for private capital, not so much perhaps in expanding productive capacity, of which there is generally a surplus, as in making good postponed maintenance, replacing obsolescent units and installing improved ones. For this private demand the public works program is not an adequate substitute.

In raising wage disbursements and thus increasing costs, the N.R.A. is sacrificing the prospect of profits; while the stringent controls in the field of securities issues, the new banking act, and the fear of inflation, all combine to put obstacles in the way of capital flotations at just the time when business has not the reserve force to overcome them. Thus the N.R.A. is sacrificing the larger value—capital expansion—to the smaller—consumers' purchases—to an extent which threatens to nip the incipient revival in the bud.

By way of developing this side of the argument, it may be added that, if demand for private capital equipment revives, consumers' purchasing power will follow as the stimulated industries increase their payrolls and disburse their enlarged incomes. And it may be further urged that a dollar added to payrolls is only one dollar coming to buy goods; while a dollar added to profits, at such a time as this, may add to itself several dollars drawn from the sources of elastic credit, and throw them all into the markets for capital goods. The point may further be made that the time when it is really important for wage-disbursements to get their

full share and profits not to be swollen disproportionately is after the revival gains more headway and is in danger of developing into an unhealthy boom. And even if the art of stable prosperity is not learned during the present revival, past experience indicates that the next few depressions are likely to be relatively mild affairs, which will give us a breathing-space in which to evolve means of dealing with the problem, if only we can rise out of the present really threatening state of paralysis.

The case is a strong one; but the conclusion that the N.R.A. should be abandoned does not necessarily follow. It may be that the really serious obstacles to revival are those not arising from this Act itself. If the issue of securities is crippled by unduly stringent regulations, and if business is hampered by exaggerated uncertainties as to the future of the monetary standard, these things should be removed. And these changes may prove sufficient to permit a revival, slower perhaps than the conventional type (which is merely the prelude to another depression), but with compensating features which might, if properly handled, help to make it more enduring. On the other hand, if improperly handled, as may more easily happen, they may make future instabilities worse.

As to the N.R.A. itself, its cost-increasing features do not stand alone, but are balanced by features making it possible to protect profits or even, perhaps, to increase them. In fact, it may be argued that as the operation of the codes develops, there is less danger that profits will be sacrificed than that they will be too well protected, by measures involving both limitation of output and preservation of inefficient producers. The Administration has been wise in approving few codes of this general character. The fewer the better, and better still if these few can be got rid of when recovery is established. This is the first and best line of defense against a serious danger. The limitation of output as a general policy is emphatically not the way to bring about lasting plenty by putting unused productive powers to work.

Once such codes are admitted, power still exists to prevent industry from abusing its price-fixing privileges. But the task bristles with difficulties, both technical and human, and far more than appear on the surface. Clearly, excessive profits as judged by ordinary standards may be prevented; indeed at present there is little danger on that score. But there is another danger into which systems of this character have regularly fallen: that of stabilizing their own profit margins at the expense of stability of output, with the result of increasing the strains of business fluctuations on the rest of the economic system. Experience has shown that cartels are an unstabilizing and not a stabilizing element in the total business structure.

Even the prohibition against selling below cost, innocent as it appears, has its dangers. Cost includes overhead burdens which may or

may not include return on investment, and may be allocated on a basis of actual or normal output. Allocation on the basis of present shrunken output would swell the burden per unit so far as to make it questionable wisdom to fix such a unit cost as a minimum below which no sale could go. And if interest on investment were included, such a rule would fix a depression-minimum for all concerns actually higher than average concerns can secure on the average of bad times and good. Will this be low enough to stimulate revival, or will it be a vicious barrier in the way?

More serious still, perhaps, is the danger of protecting the costs of the inefficient producer. The rule against cutting below one's own costs may operate in this way, and the quota system emphatically does so. And the inefficient producer stands in the way of the whole project of increasing labor's share in the national dividend. The more efficient producer can well bear such a shift, but the least efficient cannot. Therefore, if the thing is to be done successfully, it is absolutely essential that the spread between the most efficient and the least efficient be reduced.

The forces eliminating the inefficient have long been acting too weakly. Trade organizations may make this situation worse; but they may possibly help it. They will not eliminate their least efficient members, but it is not unthinkable that they might be induced to help toward making more efficient methods more general. Even this will encounter resistance, since the more efficient have a vested interest in their margin of superiority. But against this stands the fact that the least efficient are often the most demoralizing competitors, in price and in labor standards, standing in the way of improved conditions which the better elements desire. If the N.R.A. organization can help in this matter, it will justify itself. If it hinders, it will defeat the ends of increased wages, and leave the economic system even more unworkable than it was before.

This is strong language, but the issue is important; the more so as some increase in the share of the nation's income going to labor, by increased wages or otherwise, is probably one of the things necessary to reasonable economic stability in the decades just ahead.

On the whole, it appears that we are on safer ground if we regard the Act (except for the public works program which is attached to it), not as a means to stimulate immediate recovery, but rather as partly a measure to substitute work-sharing for relief, and partly a means of controlling the quality of a recovery already begun, with a view to putting it on a sounder and more enduring basis. If it merely avoids actually hampering recovery in the early stages, it may still justify itself, though even on this basis it faces a sufficiently difficult task. Viewed in this way, it might logically have been put into effect at a later stage of revival, as already suggested. But if the thing were to

be done at all, it probably had to be done when the mood for action was strong. And the work-sharing feature of the program would not have waited, in any case, and would hardly have been acceptable without the other elements.

While it is true that revivals center on durable goods, including capital equipment, it is also true that they represent, not a sound and enduring increase in demand, but a concentration of expansion which cannot in its very nature be maintained. In fact, lacking certain conditions which are never present, it is a mathematical necessity that such a concentrated spurt will increase productive capacity faster than total demand, and must therefore taper off and come to an end. When this happens, the volume of production in the capital-goods field falls off, and with it the volume of purchasing-power arising from it; and a depression sets in. It is this outcome which needs to be avoided, and more diffused consumer spending-power during revival is at least a means rationally related to this end. In the long run, more than this is needed to control future fluctuations.

As to the prospect of a breathing-space with relatively mild industrial fluctuations, this is to be combined with another prospect, amounting to a moral certainty: namely, that the problem of surplus labor-power will remain with us at least through the next peak of business activity; and we should be wise to plan for a surplus through the revival-after-next. The next revival is not likely to restore the per capita real income of 1928-29; while owing to improved methods we shall be able, unless we deliberately refrain, to produce a given output with fewer labor-hours than during the last great boom. One reason for this none-too-optimistic prediction is that the type of foreign market from which we were profiting in 1922-28 is gone, with no apparent possibility of returning. Consequently our domestic market will not include the purchasing-power flowing from those who were making money by producing goods for export. It will, of course, include the purchasing-power which is *not* being used to buy foreign bonds; but this may have a hard time finding a satisfactory outlet, via either consumption or capital investment.

Another reason is that there seems to be no great new thing, comparable to the railroad or the automobile, and in such a stage of development as to be ready for a very great expansion within, let us say, the next two years. Transatlantic aviation with floating aerodrome-hotels is hardly in this class, though it may well have a considerable future. Far more generally useful would be modern plumbing, vacuum cleaners and electric refrigerators for every family—and also far harder to bring to pass in a few years, granted that the necessary productive power existed and would otherwise go to waste.

We face a difficult task in developing a domestic consuming market to match our increasing productive power. "Natural economic forces" will absorb increased productive power, but apparently not as fast as it is now coming into being. Thus it is pertinent to have in existence an organization which is at least attempting to do something more about the problem than to promote a temporary boom in capital equipment, and is paying as much attention to the potential demand for bathtubs as for transatlantic aerodrome-hotels. In short, while the N.R.A. is an emergency measure, the need to which it responds is enduring.

In conclusion, while it is not *a priori* impossible for a present-day economic system to lift itself by its bootstraps, the attempt is not without dangers. A few cautionary propositions may be laid down in dogmatic form, for lack of space to develop them:

(1) Increased prices due to purely monetary causes can stimulate activity, but the effect will quickly pass off unless a more solid basis is afforded.

(2) Transfers of purchasing power from one group to another, brought about by public fiat, may stimulate activity under given conditions, but they bear a heavy burden of proof.

(3) Increases of wages at the expense of the necessary minimum of business earnings (whatever that may be in a given case), or increases of prices by monopolistic means at expense of demand, are not revival measures at all, but the opposite. Exceptions may be made for prices which are increased from a genuinely ruinous level to one not above what is essential to that elusive "necessary minimum of business earnings," but the perpetuation of the price-raising machinery will make future instabilities worse and not better.

A final word as to the organization of the N.R.A., regarded as the possible germ of a "social constitution for industry." It is in line with a movement which is probably inevitable, and which, when it has developed far enough, may well bring about a far-reaching transformation in the character of industry. But the present writer has a wholesome respect for the requirements of an adequate "social constitution for industry" which makes him cautious about accepting the claims of any current proposal—including such proposals as he has himself been able tentatively to formulate.

Employers necessarily interested in profits may feel a genuine responsibility toward the broader bearings of what they do—may even recognize that such an interest is a necessity for them as a group. But the urgent pressures of their private business necessities are paramount when things come to a conflict. A "social constitution" must organize a group whose interests as a group are in harmony with those of the society. So far as hours and conditions of labor are concerned organiza-

tions of employers in single trades may do much good, since here some at least of the worst evils arise from demoralized and demoralizing competition, acting in an imperfect market with grossly unequal force. But when it comes to questions of output, prices and profits, the case is different. And the basic social interest for the purpose now in hand is the interest in output in using our productive resources to produce goods, not in protecting or enlarging the income of any group as such.

The interest of a single business man under genuine competition is to increase production, simply because competition will not let him gain by limiting production. The group that includes all the employers in one trade is proverbially the group whose interest lies in limiting production; and organizations of this sort, intended though they may be to promote social ends, have this basic force to reckon with. Once we have broadened the unit of organization beyond the single competing business enterprise, we must go a great deal farther before we shall have a group whose interest as a group lies in increasing production rather than in limiting it. The group must incorporate—and not merely in an advisory capacity—labor, consumers, public. In fulfilling this requirement, there is need for more thoroughgoing representation of these groups on existing code authorities, but this alone will probably not be sufficient. We have not yet evolved an adequate form of constitutional organization suited to this situation, so different from those which form the setting of our system of political representation.

More practical perhaps is a different kind of enlargement. Two great objectives are: stabilized demand for durable goods, and sustained general purchasing power. If one business were to stabilize its demand for plant equipment, it would help stabilize the demand exerted by the members of the equipment industries, but the benefits would be diffused among industries in general. Or if this business pays high wages, it sustains consumers' purchasing-power, but again the benefits are diffused among industries in general. Industry as a whole gets back what it contributes to such policies as this, but single industries do not. Hence their interest in such policies is far weaker than that of business as a whole. Under the circumstances, it is remarkable that the philosophy of high wages has made the headway it has. But so long as it is merely a philosophy, it will not go as far as the interest of business requires.

To that end, it needs to be converted from a mere philosophy into an organized interest, wide enough to include those who contribute and those who benefit, on a basis somewhat more solid than mutual expressions of good will. This requires a genuine affiliation of consumers-goods industries, capital-goods industries and credit institutions, capable of stabilizing capital investment and demand for durable goods, sustaining diffused purchasing power and reducing the spread between the most efficient and the least efficient producers.

Such a system involves reciprocal agreements between capital-equipment industries and their customers, in which the capital-equipment industries would use systematic price concessions in the duller periods to make it worth while for their customers to assume the costs and risks of putting their requirements on something like a scheduled basis. The coöperation of credit institutions would also be required to provide a basis on which orders might be maintained in what would otherwise be a depression, as well as to restrain tendencies to expansion of the boom type. This is a form of customer representation which, difficult as it plainly is, might yield tangible results. It might require the setting up of quotas for equipment expansion as distinct from output, and would almost certainly call for a more coherent organization of credit institutions themselves. In attempts to stabilize demand for durable consumers' goods, control of credit would have to bear the brunt of the burden.

Industry may or may not be capable of evolving a workable constitution of this sort. Toward such an end, the organization set up under the National Industrial Recovery act is only a step, portentous as that step may now appear. It is an intermediate stage, at which some of the worst dangers of the whole movement are encountered, while the full benefits are not yet within reach.

J. M. Clark

Columbia University

THE RELATION OF BUDGET BALANCING TO ECONOMIC STABILIZATION: A SUGGESTED FEDERAL TREASURY POLICY[1]

The recent apparent abandonment of the principle of annually equating federal revenue levies to concurrent total expenditures is in accord with the currently much advocated suggestion that balancing the budget over the business cycle would tend to stabilize private economic activity. For such a policy to succeed the budgetary authority must have a revenue system which permits: 1) access to broad and stable tax bases; 2) highly reliable prediction at long range of the revenue yield to be expected from a given set of tax rates; and 3) a distribution of tax burden in accordance with the will of the legislature. Our present revenue system—in particular, our federal income tax—does not fulfill these conditions. In this paper a mode of measuring taxable income and of making levies upon it is suggested which will fulfill the necessary conditions, *viz.*, differential rates on "real income" or "final objective income."

It is reasonable to suppose that in the absence of planned control by some agency as powerful as the federal government, severe perturbations in economic activity will be recurrent phenomena. Since no agency entirely unsupported by the federal government has a fair chance of success in effecting economic stabilization, the state, as the ultimate guardian of the public welfare, must accept the responsibility. With due consideration for all other federal efforts towards this end, the government's own financial activities should be utilized, as far as possible, to counterbalance excesses in private enterprise. Certainly they should not contribute to the amplitude of private excesses.

Under the control established by the Budget and Accounting act of 1921, the federal government has attempted annually to coördinate revenue and expenditure. But successive annual balancings of the budget in the sense of making revenue levies equal to total expenditures in each year never has been and never can be a permanent policy. Such a program restricts the government's activities in times of need to the limits set by the yield of a particular system of taxation, or, more frequently, compels the hasty alteration of existing tax rate schedules to meet changes in plans for disbursement. In periods of restricted economic activity the election of the latter method of budget balancing precludes any concerted effort by the state leading to a decrease in the magnitude of trade fluctuations and hinders the rendering of aid to persons in distress by means of increased public expenditure. Restricting the yearly volume of operations to the annual yield of any particular system of taxation, is not, as a matter of fact, the permanent policy of any government.

The budget is not intended to constrain financial programs; rather it is designed to require advance planning of both expenditure and

[1] A revised draft of a paper read before the American Statistical Association on December 29, 1932, at Cincinnati, Ohio.

revenue activities. Presumably prudent consideration will be given to the nature and social effects of public outlays and to revenue-gathering operations. If the government is to use its peculiar facilities to counterbalance excesses in private enterprise, it must plan for the acceleration of economic activity in periods of depression and for restraint upon such activities in times of prosperity. The execution of such a program not only would forbid annual budget balancing, but would require the adjustment of revenue and expenditure over the trade cycle.

Whether by intent or by force of circumstances, the present federal administration has abandoned the annual balancing of the budget. Outlays for direct relief, for public works, for refinancing farm and urban mortgages, are considered to be emergency measures, and as such, they are to be carried by borrowing rather than by any immediate substantial increases in taxation. It is believed that by reason of the "economy" program the "normal" cost of government can be balanced against "ordinary" revenue in 1934.[2] The separation of the so-called "normal" and "emergency" expenditures permits the government to make large outlays in an attempt to promote an increase in trade activity without a corresponding increase in the rate or amount of taxation. The implication, if not the intent, is present that the resulting multiplication of indebtedness will be retired in a period of prosperity. If this be true the government has embarked upon a program of cyclical budget balancing.

Few writers on public finance object to the policy of meeting extraordinary demands by borrowing. Lutz concludes that "on the whole, some degree of combination of loans and taxes is the wisest means of financing a war or other serious emergency. . . . A larger proportion of loans may be used at the outset. . . . As the war progresses, the tax burden should be increased, and the reliance on loans relatively diminished."[3]

But the economic emergencies of depression times, unlike those of war times, do not present conditions suited to concurrent large borrowing and heavy taxing in order to meet expanding government operations. In periods of war, nearly all economic activities are accelerated; consequently increased taxation is less burdensome than it is under normal conditions. During a depression, however, economic activity is retarded, and increased taxation is undesirable. The abandonment of annual budget balancing would permit the government to pursue a more constructive policy. In periods of depression it might lower tax rates, borrow heavily, and increase public expenditure. Should it do so, it follows

[2] Reported in *The United States Daily*, April 29-May 6, p. 2. The "normal" figure includes interest on the public debt, but sinking fund payments and outlays for "emergency" relief are excluded from the "balance."

[3] H. L. Lutz, *Public Finance*, p. 537.

that in times of prosperity it must tax at higher rates, reduce expenditures, and decrease the public debt. Under such conditions, it is obvious that individual tax liabilities would be small in periods of depression and relatively great during prosperity.

The difficulty of so adjusting inflation and deflation as to maintain an optimum state of trade is admitted. However, we can recognize the timeliness of expansion and contraction in governmental expenditure in the same sense in which we now determine the existence of prosperity or of depression. It is not contended that cyclical budgeting is a method of preventing trade fluctuations; it is simply a policy that can aid in the stabilization of economic events.

A course that fixes no time limit over which the budget must be balanced is dangerous unless the government possesses both an adequate basis of taxation and a reliable revenue system. Under such a policy the budgetary authority cannot maintain its credit and long remain master in its own house unless it adopts a revenue system in which all of the following conditions are fulfilled: The tax bases must be both broad and stable; the mode of determining individual tax liabilities must not be such as to permit freakish fluctuations in the total revenues that will be produced by any particular set of tax rates; and the budgetary authority must be able, in large degree, to determine the distribution of the tax burden. It cannot be said that our present form of income tax act or, indeed, our whole federal revenue system, fulfills any of these conditions except that of mere breadth of bases.

Though the possible stabilizing influence of cyclical balancing of the budget is not a novel idea, the conditions which must be fulfilled if such a policy is to succeed have not been adequately considered; in particular, the unfitness of our present revenue system for such a policy has received little attention. Though we shall confine our discussion of revenues chiefly to levies upon income, we shall do so not because we believe our present income tax worse than the rest of our revenue system, but because we believe that a reformed income tax is the best possible foundation for a revenue system intended to contribute to economic stabilization.

A survey of the comments on our experience in taxing incomes under the Sixteenth Amendment will disclose a consensus among writers on public finance and among legislators on the following points: (1) that some kind of income tax is necessary; (2) that the taxpayer's annual tax should be either a function of his income for the taxable year or a function of his "average" annual income; and (3) that tax rates on income should be progressive. Further agreement among experts is limited to a profound discontent with the results of the successive tax acts.

Mostly the criticisms that have appeared deal with particular sections of the acts or with particular tax effects. An excellent case has been made out for abandoning the tax on the incomes of corporations and for taxing shareholders, at both normal and surtax rates, on corporation dividends.[4] If this were done, it cannot be doubted that natural persons of equal incomes—in the sense in which the acts determine income—would be more evenly burdened and that the burden would increase uniformly with increased income. But if the system of determining taxable income is fundamentally erratic and unsound, uniformity of burden distribution with respect to that income measure is a dubious merit.

Both the Treasury and the Congress have been ridiculed for their failures to estimate reliably the successive annual yields. During the late boom astonishing surpluses persisted despite tax rate decreases and despite extravagant expenditures. The astronomical magnitudes of deficits and prospective deficits, despite increased tax rates and cuts in expenditures, inspired panic in the last Administration. This panic, more than anything else, handicapped federal effort to arrest the plunge of economic depression. But the successive surpluses and deficits do not prove a grievous fault in the estimators; neither do they prove the unreliability of income taxation; rather they illustrate, as we shall show, the freakish character of the measure of income which has been adopted in all the acts.[5]

The feature of the income-tax measures most frequently attacked is, perhaps, the tax on gains from the sale, or other conversion, of so-called capital assets. Some of the critics go no further than to advocate the deleting of the provisions which authorize alternative determinations of tax liability. This, in our opinion, would make a bad condition much worse.

Many have advocated more drastic changes. They propose exempting all gains resulting from conversions of capital assets and disallowing, as deductions, all losses incurred in such operations. Few who make these proposals appear to have considered it necessary to define "capital assets." Seemingly they either suppose everyone knows what a capital asset is, or else they vaguely suggest that a capital asset is one "not held primarily for resale" or is one "not utilized in a trade or business," or is one that "has been held a long time."

All these suggested criteria for distinguishing capital assets are superficial and useless. The first is so open to abuse and fraud and so obvious-

[4] H. L. Lutz, "The Treatment of Dividends in Income Taxation," *Journal of Political Economy,* xxxiii, 129-154.

[5] For a statement of one statistical fallacy that lies at the root of much of this freakishness, see J. B. Canning, "A Certain Erratic Tendency in Accountants' Income Procedure," *Econometrica,* I, 52.

ly provocative of tax litigation as to condemn it without extended consideration. The adoption of the second, though less conducive to fraud and litigation, would be a mere abuse of legislative power.[6]

The third criterion, "assets held a long time," is interesting because of the conclusions to which one is inevitably led by a study of it. How long is "a long time"? Consider first some examples of the operation of our revenue acts under which anything less than forever is not a long time.[7] In 1920 a certain farmer sold his farm to a neighbor for $50,000. He had bought the farm six years earlier for $25,000. Six weeks later but before the end of the year, not finding any other investment to his liking, he bought back his farm for $55,000. The seller invested his "profit" in more land. In March, 1921, these farmers learned to their sorrow that they had suffered taxable incomes, arising out of these two transfers, of $30,000. Shortly afterward both farmers ceased paying income taxes, though they have lived comfortably. Both farmers, if they sold now, could show "deductible losses" which they do not need. If six years (but not six weeks) were, by the revenue acts, "a long time" one farmer would merely have been out of pocket the $5,000 price advance, but his neighbor, taxed on a $5,000 gain, could ask the nasty question, why is my capital gain not exempt also? In both cases real taxes were paid; in neither case did their net incomes rise above the level of mere expectancies. Their "real incomes" were affected only to the extent of taxes paid.

Consider an illustration of the operation of deductible losses on assets held "a long time." That J. P. Morgan and his partners should have paid no federal income taxes for the last two taxable years appeared, for some occult reason, to be regarded by newspaper men as a fact of great news value. But payment of income taxes by these bankers for the years 1931 and 1932 would have been an act of incredible stupidity. Merely by selling securities held a "long time" and buying others in the distressed markets of those years they could establish deductible "losses" numerically greater than their concurrent "gains." Such transfers, though sufficient to *establish* a legal loss, might have been made even though the reward of tax exemption had been absent.

[6] Suppose A, B, and C to hold all the shares in X corporation and to constitute a majority of the board of directors and suppose that they simultaneously buy shares of Y both for X's account and for their private accounts. Suppose that all these shares in Y are later sold. Any reason assignable for exempting A, B, and C from tax burdens on their gains on direct private account is equally assignable for exempting them, as shareholders in X, from a tax burden with respect to X's gains. If they are losers upon conversion of Y's shares, it is equally absurd to make either loss deductible and the other non-deductible.

[7] The later acts provide optional schedules of rates with respect to gains arising from the conversion of certain sorts of assets held more than two years. Only those whose taxable net incomes are large can benefit by a choice between the options.

It has not been made to appear that the gentlemen in question were constrained to reduce their real incomes during these years. We do not know that the extent of their command over future real income was impaired. In years of declining markets it is not impossible for shrewd men of great fortune steadily to increase their purchasing power over future real income even though the *number* of dollars employed to express their net estate in their assets declines during the interval.

The only way in which a "long time" could be defined, in order to make it impossible for the two farmers to suffer taxable incomes and our bankers to enjoy deductible losses would be to declare any time at all a long time. That is to say, Congress could abandon the present kind of income measuring altogether. We have concluded not only that length of holding time will not serve as a criterion but also that there is no other criterion, satisfactory in public finance, for distinguishing "capital assets" from assets that are not capital assets.

Superficially considered, the dissatisfaction with our revenue acts under the Sixteenth Amendment seems to spring from a great diversity of causes. The inequitable distribution of burden wrought by the tax on corporation incomes, the unreliability of the Treasury's yield estimates, and the freakish distribution of tax liability and of tax burden wrought by the tax on capital gains seem, at first sight, to be quite unrelated. In our opinion, they all spring from one defect, *viz.*, the needless adoption of a measure of income that is wholly unsuited for determining tax liability.

The only concept of income, as yet proposed, that is adequate for quantitative economics was given to us in 1906 by Irving Fisher. In his much neglected book, *Capital and Income*, he has given us also the ablest discussion of the quantitative aspects of income ever written. Unfortunately he has not discussed the application of his theory to taxation beyond a few meager notes; and even in these he seems greatly to have underestimated the ease of taxing final objective income.[8]

Professor Fisher's concept is that the income of any person, in any definitive objective sense, is to be measured by a balance of (a difference between) the services and disservices of things and persons directly experienced by the person whose income is in question. The positive increments, the final objective services, consist solely of such services as the nutrition of food, the sheltering of houses, the entertainment afforded by players, etc., and include all such services. The negative elements consist of such adverse experiences as labor (not work, but the undesired fatigue of working), pain, etc. All other economic events derive both

[8] *Capital and Income*, 250-254 and 398-403. In a number of his papers he refers to the subject but the discussion is not carried beyond the range of the references given here.

their existence and their quantitative significance from the final objective income balances expected ultimately to result from them. Neither a dollar received nor the receiving of a dollar is income in this fundamental sense; the receiving of a dollar merely confers upon the recipient the power to command, at some future time, an increment of service or the power to ward off an increment of disservice.

We do not know how to make any direct objective measurement of income, even in this fundamental sense, that permits provable annual summations. One can measure nutrition and shelter after a fashion; but the units of measure are not interconvertible in the sense in which inches are convertible into yards, meters, etc. Because of this incommensurability it is necessary to resort to indirect measures or indexes.[9]

For a single person or for a living group, such as the family, in a pecuniary society one may reasonably assume that money spent to obtain these direct services—or, what comes to the same thing, spent to obtain objects which are to render these services—is laid out in a manner roughly conducive to maximizing the present worth of final incomes.

By regarding each particular money outlay as an index of the value of the services expected from the thing purchased and by distributing each outlay in a series the terms of which are proportionate to the rates of use of the thing purchased, one obtains a living expense series. By summing the concurrent terms of these living expense series one obtains a time series representing cost of living (and, hence, value of final income) in successive time intervals. The techniques of modern accounting, now restricted almost altogether to enterprise affairs, are entirely adequate for finding such an index of final objective income of domestic groups. These techniques are, in fact, immeasurably more satisfactory for this use than they are for the uses to which they are commonly devoted.[10]

It is vain, of course, to hope that such an index can ever, except by accident, become precisely proportional to final objective income. But we have the best of *a priori* grounds for supposing that it will seldom be grossly in error either for individuals or for a population. It cannot have a systematic error. The only errors the index can have arise from (1) incompleteness in the accounting analysis in individual cases, and (2) the assumption that, in a given household, funds will be laid out with equal skill in successive years.

[9] Certain measures of "money income"—*e.g.*, of a bondholder's money income—appear to be highly objective and precise. Superficially they are, but only in the sense that if one evaluates the constants in the formulas one obtains unique, numerical results. The economic significance of these numbers depends very little upon the degree of precision of the money income *figures*. The sole economic significance of such a number depends on the degree to which its value assists the beneficially interested person reliably to forecast the associated increment to his final objective income.

[10] For a brief treatment of the application of accountancy to the measurement of final objective income see J. B. Canning, *The Economics of Accountancy*, pp. 163-168.

The first kind of error need never be great; and even the crudest accounting procedures provide for an automatic cancelling of all errors of this kind within relatively short time intervals. In all accounting procedures the summation of all dollar outlays during the existence of an enterprise (or a domestic establishment) will be equal to the summation of the income debits for the like periods.[11]

Though the second sort of error is inevitable, the change in skill of domestic management in a given household from year to year cannot be supposed to account for any great change in the number of dollars' worth of uses enjoyed. For a large population, neglecting changes in the cost of living, the summation of errors of this kind must be extremely small relatively to the total real income.

The data employed in calculating the index consists entirely of objective facts. Uses have occurred and payments (or commitments to pay) have been made. The accounting task of determining this index of income and of tax liability can be made much less burdensome to taxpayers than the corresponding task as taxable income is now determined. At present the income accounts most suited to determining net income figures of enterprise often require an adjustment to obtain the single item, statutory "income from trade or business," more laborious to make than the entire task of measuring income by the mode recommended here.[12]

The index proposed deals with an income that has been finally and objectively realized; and the index is objectively provable at the time of its evaluation. The measurement of it involves no forecasting beyond that implicit in the outlays made or promised. In domestic establishments this forecasting, when serviceable articles are bought, is, in point of time, very close to the service events forecast. Moreover, the forecasts are made either by the person who is to enjoy the service events or by one to whom those beneficially interested are intimately known, *e.g.*, by a housewife buying food for her household. The accountant who evaluates the index is a mere clerk.

By contrast with the index proposed, the index of income now relied upon is freakishly erratic. It is *wholly* a forecast—never an objective determination of provable facts. The forecasting is mostly done by accountants and by corporation managers, that is, by persons to whom the ultimate beneficiaries are often wholly unknown. Moreover, it is usually done without the least knowledge of the time by which any final income will have occurred to any person.

To illustrate this, let us suppose the case of a corporation whose in-

[11] For a treatment of this matter see J. B. Canning, "A Certain Erratic Tendency in Accountants' Income Procedure," *Econometrica*, I, 52.

[12] All too often taxpayers, rather than incur the expense of adjusting their business income, keep accounts suited to determining tax liability but unsuited to their enterprises—an obvious ill effect of the revenue acts.

come accounts are kept in such a manner as to make the annual balance equal to its statutory taxable net income minus the tax liability. Suppose, further, that for a given year the accountant finds a net income figure of $100,000. This figure means that a $100,000 increment of power to pay dividends, at some future time, is supposed to have been acquired within the year as a result of enterprise activities brought to some particular stage (usually sales) during the year. It is of such increments that surplus accounts are built up.

Dividend paying power in excess of shareholder contributions, is, in fact, limited to the excess of the corporation's money receipts over money payments, other than transfer between shareholders and corporation, during the corporate life. That this power is positive cannot be proved, as a fact, until the corporation has ceased to exist. The magnitude of the increments of dividend paying power credited to surpluses are mere forecasts based upon assumptions about the future volume of the corporation's operations and about the favorable or unfavorable future conditions of the market for goods and services in which the corporation will operate in the future. These assumptions are never explicitly stated; but they are implicit in the accountant's procedures.

Even if the increment of dividend paying power credited to surplus should turn out ultimately to be correct, the accountant does not know when the associated dividends will be paid, nor to whom they will be paid, nor whether the recipients will reinvest them or utilize them in their households. He does know that a tax burden, proportionate to the increment will fall at once upon the holders of junior shares and that it will be distributed among them in proportion to their several interests but independently of their economic circumstances and programs.

One need not, in these times, labor the point of the unreliability of these forecast earning increments and of their summations up to any particular time. The vanishing not only of huge corporate surpluses but of the entire net proprietary interest together with the scaling down of creditors' rightful expectancies is a common spectacle in the receivership and bankruptcy cases now in process of adjudication. All those surpluses represent taxed net incomes that never had, and never will have, a real existence in any shareholder's economic experiences. They consisted of "the substance of things hoped for, the evidence of things not seen."

Even in an economic society subject to such violent perturbations as those we have experienced in the last two decades, the real economic income of the population has been relatively stable; it has been, perhaps, the least disturbed of all economic series. The red ink which has recently been spread over the accounts of the motor and motor fuel industries has no equivalent counterpart in the rate of automobile use. The physical volume of fuel and tire sales show that car-miles run has

declined but little. The building trades are in a deplorable state, but we enjoy about as much house *use* as we did in 1928. It is said that the value of shares listed on the New York Stock Exchange (priced at market) fell by nearly $80,000,000,000 between the high point in 1929 and the low point of 1932. A mere barter exchanging of all such shares in 1929 followed by a mere trading back in 1932 would have given rise, in the interim, to tax-deductible losses of $80,000,000,000; for all those shares have a "fair market value" at all times. A correspondingly great decline in real economic income would imply the extermination by starvation of a major portion of the population. Only the most profound unawareness of the unreliable character of accountants' enterprise income data could have led us to tolerate our present measure of tax liability when a highly reliable and simpler measure was available.

No serious question of the adequacy of the proposed tax basis can be raised. Year by year, of course, there could be vast differences between the aggregate measure proposed and the aggregate measure now relied upon. But if the summations of the two measures were to be made for a given population over a long period of years the difference between the two summations would be small in comparison with either summation. The difference would be the sum of two variables: (1) the increase (or the decrease) in value of material wealth held by the population; and (2) the sum of errors in the estimates of the two income measures. But large rates of increase (or decrease) of national wealth in relation to national real income cannot long be sustained. And, as the length of the interval of observation increases, the absolute sum of errors of estimate in the two income summations will become smaller in relation to the income summations.[13] Aside from the possible temporary addition of capital levies, it is impossible for any tax basis or any set of tax bases to exceed that of final objective income or "real income."

Only a brief sketch of the tax rate system contemplated is given here.[14] The system would include the following features:

1. The taxpayer unit would be (as now) the family.
2. Income increments below the minimum necessary to maintain the family in efficient condition should be (as now) exempt.
3. The rate system should be progressive, the progressions having regard for number of members in the family.

[13] In both measures of income the chief kind of error is, in the long run, self compensatory. If a merchant overvalues his closing inventory by $1,000, his enterprise income figure for that year will be $1,000 too large and the next year's figure will be too small by the same amount. The sum of the two years' income figures is therefore free of this particular error.

[14] The present writers have recently concluded a two-year statistical study, financed in part by a grant of funds from the Laura Spelman Rockefeller Foundation, of taxation under the Sixteenth Amendment. They hope, in the near future, to offer papers, based on that study, dealing with a tax rate system and with the administrative problems that would arise if their proposals were adopted. They expect to show that a great simplification of our tax system is easily possible.

4. The income tax should be supplemented by a tax (payable by the donor) on gifts and by a tax upon transfer by will, by trust, or by operation of law at death. These tax rates also should be progressive and become large for large transfers.[15]

The advantages of the system proposed as compared with that now in use may be summarized as follows:

1. An income tax becomes payable only with respect to income that has actually been enjoyed in a real economic sense rather than with respect to current increased hopes of future income enjoyment. This should minimize injustices to individual taxpayers arising from mistaken forecasts.
2. Final objective income, for a whole population and for families within it, is, in general, much more stable than the current index. This should make Treasury estimates more reliable.
3. Tax burden is distributed with respect to sacrifice rather than with respect to source of income (as in the case of the corporation tax) and with respect to expected sacrifice (as in the case of the tax upon individuals).
4. No incentive to sell in markets already depressed by distress selling or by panic, in order to minimize taxes, is afforded.
5. No premium is put upon borrowing on collateral during market booms, since the tax liability is independent of prices realized in concurrent enterprise or investment operations.
6. If year-by-year budget balancing is abandoned, the Treasury can throw in the weight of its borrowing and lending operations and of its revenue collections and disbursements as dampers against the successive booms and depressions which we may otherwise expect.
7. The form of tax proposed here should be well suited to concurrent use in federal and state finance. Very great convenience to taxpayers and very great savings in the costs of tax administration could result from the adoption by states of income tax acts differing from the federal act only in the rate schedules and in the geographical limits of tax jurisdiction.

The present writers are aware that their proposals are not all novel and that their studies reported here and in the forthcoming papers referred to above do not permit a definitive discussion of any of the suggested changes in financial policy and program. They regard these papers as opening a question for discussion among professional economists: Are the deficiencies of our present systems of federal and state finance so great as to warrant a concert of action by economists in requesting the federal government, or some research foundation to sup-

[15] This is not double or multiple taxation in an objectionable sense. If tax burden is to be distributed in accordance with the sacrifice principle the tax liability must be determined by purchasing power over future income, that is, by a summation or integral of income rather than by a *rate of utilizing* that power. To minimize the errors of forecasting we propose merely to defer tax *liability* until increments of the power to command income have become definitively provable. The money cost of real income and of gifts together with the money value of the estate left at death constitute a measure of a taxpayer's total pecuniary power to command income. We propose a system that brings the whole of the power to command income within the tax bases but defers the *tax* increments until the *power* increments are provable.

port a definitive research? They suggest that such a research would result not only in a great contribution to knowledge but also in a great benefit to the public through financial reform.

Federal and state action in the last three years leave no room for doubt that, for better or for worse, governments have embarked upon programs of public intervention to minimize the consequences of depression on an unprecedented scale. There is room for grave doubt that their financial policies are suited to the safe bearing of this load in addition to the vastly expanded scale of ordinary operations to which they were committed before the depression began. If the prevailing policies are seriously inadequate, the writers suggest that it would be unbecoming conduct for economists to await the impairment of public credit before beginning an adequate study of the problem.

John B. Canning
E. G. Nelson

Stanford University

ECONOMIC BASES OF THE WISCONSIN UNEMPLOYMENT RESERVES ACT

Part of the cost of unemployment should be assessed to specific industrial concerns rather than to the community as a whole. Unless this be done the consumer is unable to choose low-cost products and concerns, since prices will not reflect all of the social costs. When social costs reasonably attributed to one producer are shifted to another, unfair competition results. Technological changes should carry their own costs, since decisions as to their practicability will be affected thereby.

In answer to the charge that the Wisconsin Unemployment Reserve act provides inadequate relief, it may be said that all labor legislation starts with inadequate protection, and a particular state can raise its standard as other states create or raise theirs.

Even though the financial incentive to regularization under an unemployment reserve act may be small, it may be an effective stimulus to the psychology of business men. Moreover small incentives are frequently sufficient to change the balance in close decisions of business policy. Important achievements have been made in the prevention of unemployment, and a universal attack upon the problem might prove more than proportionately effective.

The enactment of the N.R.A. does not outmode unemployment reserve legislation and is entirely consistent with such legislation.

Hitherto the cost of unemployment in the United States has rested mainly on the unemployed—with the charitable and taxpaying public lending a hand only when the burden became intolerable. The evils of this situation are now generally recognized. In the last few years there has been wide consideration in this country of alternative plans for distributing the cost of unemployment. These proposals raise important questions of social policy and economic theory. In the practical realm of drafting legislation the main points at issue are two: (1) Who should contribute to unemployment compensation funds and (2) How should such funds be set up—on a state, industry or company basis? Fundamentally these two questions resolve themselves into one—namely: Should the community as a whole carry the total cost of unemployment, distributing the burden on some basis of ability to pay; or should each specific industrial plant be assessed with at least a part of the cost of that specific unemployment for which it is the proximate cause?

In the September, 1933, number of the *American Economic Review*, Professor Walter Morton takes an emphatic position on this question.[1] He states that no cost accounting should be applied to unemployment; that it should all be treated as an overhead cost of the entire economic system; that the unemployed should all be supported from one big fund on which all of them should have an equal claim; that the fund should be financed by contributions from employers, workers, and taxpayers, or better still by a net income tax to which all persons and all businesses should contribute. He severely criticizes the Wisconsin Unemployment Reserves act (so far the only American legislation on this

[1] Walter Morton, "The Aims of Unemployment Insurance with Especial Reference to the Wisconsin Act," *American Economic Review*, vol. xxiii, no. 3, September, 1933.

subject) because it attempts through its company reserves set-up to apportion some of the cost of unemployment among specific industrial establishments. He suggests that the Wisconsin law was probably the only measure which could have been enacted in this state in 1932. But he declares that where there is any real choice a radically different system should be selected. Among existing laws on the subject he would apparently choose the British as a model, though preferring an income tax as the means of raising all the funds, and an entire disregard of previous employment as a condition for receiving compensation.

Professor Morton does not develop a plan of his own. But he makes a very able criticism of the Wisconsin law and one which deserves to be answered. His objection to the Wisconsin employer-financed company reserve plan rests on the following grounds: (1) He believes that allocation of the cost of unemployment to individual concerns will not and cannot have any influence toward its prevention. (2) He asserts that allocation of costs will make adequate relief impossible, because it means that contributions to relief funds will be made in inverse ratio to ability to pay.

The proponents of the Wisconsin act take issue with Professor Morton on both counts. (1) They are not yet ready to accept all the kinds of unemployment which now prevail, in good times and in bad, as entirely beyond the reach of preventive effort. They believe that a sustained and concerted attack on unemployment under the spur of a correct allocation of its cost is at least worth trying. (2) They believe that such allocation of cost need not interfere with the provision of adequate relief for the unemployed even though it means apportioning part of the burden on a different principle than ability to pay. Finally, they are convinced that regardless of the extent to which existing unemployment can be prevented it is of very great importance for the successful operation of our economic system that the cost of maintaining the unemployed be assessed, so far as it can be done rationally, upon specific industries and specific concerns.

The employer-financed company reserve plan of the Wisconsin act is designed to effect this allocation of cost. Under this plan each concern builds up its own reserve, which is normally deposited in a general state fund, but is used only to pay compensation to workers laid off by that particular concern. The employer's responsibility for an employee is for a limited period only and in proportion to the time the employee has worked for the employer. The maximum rate of contribution is set at two per cent on payroll; but the contribution of a given employer may be reduced or entirely suspended depending on the condition of his reserve account, which in turn depends entirely on the regularity with which he furnishes employment to his workers. Thus

each business enterprise is made responsible for the unemployment resulting directly from its own irregular operation, but is protected from bearing any of the cost of unemployment caused directly by the irregularity of other concerns. The law is designed to make unemployment, within reasonable limits, a business cost and requires that a reserve be built up to meet this cost. Under good business practice similar reserves are commonly used to meet the cost of depreciation, taxes, and interest on bonds and mortgages.

I. Unemployment as a Cost of the Individual Concern

The Wisconsin act aims to allocate the cost of unemployment to specific industrial concerns. Regardless of the degree to which prevailing irregularity in employment can be eliminated, the proponents of the Wisconsin plan believe that it is highly important to make at least part of unemployment a cost of producing specific commodities instead of an overhead cost of production in general. The reason for this belief is revealed by an analysis of costs from a social point of view.

There is today in the United States a very wide variation in regularity of operation as between different industries and different plants within the same industry. This means a wide variation in the degree to which industries and plants are themselves carrying the entire cost of their products and reflecting that cost in the prices they charge. For the industry or plant with widely fluctuating employment repeatedly dumps some or all of its workers upon the community. Unless these workers can be utilized at such times in other concerns or industries, they must be supported by somebody. Correct cost accounting requires that this should be done by the concern or industry for which they are in effect a labor reserve. Otherwise such a concern or industry is not paying the full cost of its production. Instead it is in effect receiving a subsidy. A pooled insurance fund raised by taxation or three-party contributions would formalize and materially increase the extent to which irregularly operating concerns and industries are now thus subsidized. And the subsidy would come largely from the more regular plants and their employees. The effect of this arrangement would be definitely anti-social.

The consumer is best off when he buys goods most cheaply—that is, the desired products at the lowest price. But if part of the real price of a product is paid not directly to the producer but indirectly in the prices of other products or in taxes, the consumer cannot know whether or not he is really buying the cheapest commodity. Worse than that, by choosing the good which appears to be the cheaper because its selling price does not include the full cost of producing it, he may force out of business the concern which really produces most cheaply, if all the

costs are counted—the concern which maintains its own workers the year round without being subsidized by the community or by other industrial concerns. Thus the effect of a pooled unemployment insurance fund would be to confirm and facilitate a species of unfair competition. Such unfair competition could occur between plants in the same industry or between industries—either as the product of one industry is substituted for the product of another, or as all products compete for the consumer's dollar. For example, how could the consumer know whether coal or oil were really the lower cost fuel if the cost of maintaining idle coal miners were paid in part by the oil refiners?

Pooling of unemployment compensation funds obscures the record so far as costs are concerned, and it is important to keep the record clear. What happens when the record becomes confused is exemplified in the present controversy between the railroads and the truck and bus companies. The railroads allege that they would not be losing business to the truck and bus companies if the latter were required to pay in taxes an amount sufficient to cover their fair share of interest and depreciation upon the public's investment in highways. The railroads furnish a roadbed at their own expense and fair competition requires that highway transportation do likewise. The difficulty is that nobody knows with any certainty whether or not the taxes on trucks and buses are high enough to recompense the public for the roadbed it furnishes. Unless they are, it may be true that the railroads are being forced out of business by rivals which cannot, with all costs counted, serve the public as cheaply. In the same way high cost products or concerns might be able to compete unfairly if part of their true labor cost were carried by others through a pooled unemployment insurance fund. Such pooling would thus tend to promote the survival of the socially least fit.

This danger is apparent when we think in terms of daily rather than yearly wages. No one suggests that the wages of sweated workers be supplemented from a pooled fund to which all employers and perhaps all employees and taxpayers should contribute. It is too obvious that such a remedy would be even worse than the present situation. It would immensely facilitate the cut-throat competition of the sweat shops. The accepted means by which the state protects wage earners against sweat shop wages is to require every employer to pay at least a living wage. Such legislation protects not only the workers but the employers who pay decent wages and the whole community as well. In the same way each concern should be required to bear the cost of maintaining its workers not only from day to day but also, within reasonable limits, from month to month and year to year. Only then can the public know and choose those products with the lowest true cost.

The importance of allocating the cost of unemployment regardless of its preventability is especially great as regards technological unemployment. It is generally assumed that this kind of unemployment is the price of progress, that the employer who replaces men by machines is benefiting society and should be praised not penalized for his action. As for the workers who lose their jobs, it is assumed that they will ultimately be absorbed into other industries and will themselves benefit in the long run through shorter hours and lower prices. In the interval before the adjustment is made, it is assumed that society, which benefits by technological advance, can afford to pay the price of resulting unemployment.

But change is not always progress. Society does not necessarily benefit from every labor-saving device which is introduced. At present technological changes are made if business men decide that the savings will outweigh the new costs which will be incurred. But a very important cost—the burden of supporting the displaced workers—is entirely omitted from this calculation, because it is not under our present rules, a *business* cost. Hence today the business man's decision to introduce a new machine may be entirely unwise from the social point of view. It may entail loss rather than gain to society as a whole.

To institute a system under which the victims of technological unemployment would be compensated from a pooled insurance fund would in no way remedy the present situation. But allocation of the cost to specific industrial concerns through a company reserve plan would help; it would tend to make the self interest of the business man coincide with the interest of society. Under such an arrangement the business man would not introduce a new machine unless he estimated that the saving therefrom would be enough to outweigh *all* the costs incurred—including the cost of maintaining the displaced workers for a reasonable period until they could be absorbed again into industry. Only if the business costs involved are thus made more nearly equivalent to the social costs can society continue safely to leave to business men the decisions whether or not to introduce technological changes.

It should be noted that no attempt is made in the Wisconsin act to assess the cost of all unemployment upon specific concerns. A given concern is made responsible for a laid-off employee for a limited period of time only and the time is proportional to service with the concern. To hold the specific employer responsible within these limits seems entirely reasonable. The arrangement is based on the assumptions: (1) that some unemployment is within the power of the employer to prevent; (2) that other unemployment which may not be preventable is so regularly associated with particular industries or managements that it is properly regarded as part of their costs. If this arrangement results

in the employer's bearing the cost of some purely fortuitous unemployment, that fact should not condemn it. After all, the employer is supposed to be the risk-taker and he may properly be asked to assume some measure of risk for his employees.

In criticism of the Wisconsin act Professor Morton argues that employers who have least trouble with unemployment should contribute to help employers who have most trouble—that this would be nothing more than an application of the principle of ability to pay with which we are familiar in taxation. But as we have pointed out there are important reasons for treating some part of the cost of unemployment as a business cost and there will be plenty of room for the application of the ability to pay principle after all of the costs which can be apportioned upon some rational basis are so apportioned. To the degree that responsibility can be allocated a burden is removed from the employee and the community. They will probably have burden enough left in caring for unemployment which cannot be allocated and which must be carried as a social overhead.

Professor Morton asserts that specific allocation of any of the cost of unemployment is undesirable because it will not promote stability but will merely tend to make labor an overhead cost of doing business. And this he fears might destroy our economic system. He declares that "Only under social responsibility for production and for the provision of capital can labor be treated as an overhead cost." His next sentence hardly affords conclusive proof of this declaration. "Under private enterprise," he says, "capital is preserved by shifting the losses of unemployment upon labor."[2] True enough, if he means that under the present "rules of the game" the return to capital is relatively maintained in good times or bad, while a steady return to labor is made contingent upon 100 per cent operation of plant. But those who favor the Wisconsin act do not see why this arrangement is essential to the survival of private enterprise. They point out that mechanization of industry is in fact making labor cost an ever smaller percentage of total cost, so that the possibility of making at least a part of it an overhead cost should be increasingly easy.

To be sure, a change in financial structure has been operating in recent years in the opposite direction. An increasing use of bonds and mortgages to finance industrial corporations has been making a greater and greater proportion of the return on capital a fixed charge rather than a residual claim. But is this socially desirable or necessary? With a plethora of capital seeking use we should be able to offer less security to investors rather than more. We might at least experiment with a type of social control which would effect some transfer of security from

[2] *Op. cit.*, p. 399.

bondholder to laborer. We might see what would happen if the regular worker were guaranteed some small part of his income, to be paid from a reserve built up by the concern which employs him. Possibly such a requirement might reduce the extent to which industrial concerns could finance themselves through bond issues. At least our economy would hardly collapse from such a change and it might prove socially advantageous from all points of view.

II. The Wisconsin Act and the Relief of Unemployment

Professor Morton attacks the Wisconsin act on the ground that it does not and cannot afford adequate relief to the unemployed. He describes the benefits it provides, and points out their limited duration and their relation to previous employment. He then asserts that a relief plan should provide "relief for all or any unemployed who may be in need"[3] because "unemployed workers must be cared for by someone regardless of the reason for their status."[4] He thus assumes the social wisdom and neglects entirely the administrative difficulty of compensating the unemployed without regard to previous employment. For example, he does not think it necessary to decide whether a workingman's wife, or a student who has never had a job but would like one, should be entitled to indefinite unemployment compensation, and if so whether any kind of compensation system could be kept solvent. (Scarcely a bill proposed in this country would compensate *all* the needy unemployed.)

Professor Morton does admit of course that the modest benefits of the Wisconsin act may have some relation to its being the first law on the subject enacted in the United States. However he seems reasonably certain that the 2 per cent contribution rate of the pioneering statute cannot be raised in the future because, so he claims, a higher rate would bear too heavily on the weakest industrial concerns and a recognition of this fact would deter future legislatures from raising it. He suggests that Wisconsin business men realized this and for that reason preferred the company reserve plan to other unemployment compensation proposals.[5] If Wisconsin employers really believed that the contribution rate in the reserve act would be immune from legislative revision upward they were not very keen students of social legislation in this state. Almost all social legislation sets a standard which the weak find more difficult to observe than do the strong. Yet such legislation has repeatedly been passed and repeatedly been strengthened. Workmen's compensation is a case in point. Increasing the benefits for injured

[3] *Ibid.*, p. 397.

[4] *Ibid.*, p. 409.

[5] Wisconsin business men did prefer a company reserve plan to a pooled state fund. So far as they have expressed themselves the reason for their preference was a feeling that it was fairer for each concern to carry its own unemployment and not be charged with that of others.

workers has meant increasing the burdens upon employers, and particularly, under the industrial and merit rating systems, upon those with high accident rates. No attempt has ever been made to assess the burden of accidents on the basis of ability to pay. Yet this has not prevented the constant upward revision of workmen's compensation laws either in Wisconsin or elsewhere.

Critics of the Wisconsin act who claim that it affords inadequate relief have usually ignored the fact that its benefits can be increased as soon as other states enact similar legislation.[6] They also tend to ignore the fact that no unemployment insurance system, regardless of how its funds are raised, has ever provided benefits for more than a limited period. Supplementary benefits of one kind or another financed by loans or grants from the national treasury have been used in England, Germany and elsewhere. And still many workers in those countries in the past few years have exhausted their rights to benefits and been forced to rely upon their own savings or private or public charity. Consequently it is safe to assume that no unemployment insurance system which could be put in operation now in a single state in this country could possibly furnish "adequate relief."

In point of fact, the Wisconsin act does not aim to support all the unemployed indefinitely. Its company reserves in the aggregate will not supply compensation to all the unemployed workers in the country nor cover all kinds of unemployment. It merely puts on employers a limited responsibility for their own laid-off employees. A measure to supplement it by giving relief as a matter of right (or on the basis or need) for a further period of unemployment from a fund raised through an income tax would not be incompatible with the Wisconsin act. The essence of the Wisconsin program is to begin by allocating to each specific industrial concern the cost of that unemployment for which it may reasonably be held responsible.

But though the relief afforded by the Wisconsin statute is inadequate it is by no means negligible. Even ten dollars a week for ten weeks may be a very material assistance to the man who is irregularly employed during the year. In the case of technological unemployment this "dismissal wage" will serve a very useful purpose in tiding the workman over the period in which he has to look for and prepare himself for another job. Even during a depression $100 over a two and a half month period would make a valuable supplement to the private savings of the unemployed individual.

By way of summary we may list the following answers to the charge that the relief provided under the Wisconsin act is totally inadequate.

[6] The "interstate competition" argument against state labor legislation is undoubtedly overworked. But its political significance is considerable, whatever its economic validity.

(1) All labor legislation starts with inadequate protection. (2) A particular state can raise its standards as other states create or raise theirs. (3) No unemployment insurance system so far devised has been able to grant more than a limited security to the worker. (4) The Wisconsin law merely makes part of unemployment a business cost; it can be supplemented by relief financed in other ways. After all, the important consideration in new legislation is not so much the degree of relief which it affords as the principle on which it is based. If the law is right in principle, time will make it adequate in degree.

III. Can Unemployment Be Prevented?

The proponents of the Wisconsin plan believe that allocation of some of the cost of unemployment to the specific industrial concern will create a valuable incentive to prevention. Through an elaborate analysis of the way in which business operates Professor Morton attempts to prove that business men now possess incentives to regularization far more powerful than any which could be created by such an allocation. Hence none of the unemployment which now exists is preventable and the stimulus to prevention provided under the Wisconsin act is useless.

Yet Professor Morton himself admits that business men are not guided entirely by logic or reason. He would certainly not contend that their present methods are necessarily the wisest and best, even from their own point of view. History affords numerous examples of reforms forced upon them from the outside which are today universally conceded to be "good business." The shorter workday is an obvious illustration. Even the steel industry now admits that the twelve hour day and the seven day week were bad from the business as well as the labor point of view. Yet it took an immense amount of pressure from legislatures, trade unions, and public opinion to make first the ten hour and then the eight hour day prevail in this country. Even now there are backward concerns and industries which have persisted in working far longer hours. In the same way the prevention of accidents was really "good business" even before the advent of workmen's compensation laws; but it took the pressure of that legislation to make employers to any extent "safety minded." It is equally important to create a "steady work for steady workers" psychology among employers. And no one can tell in advance how potent such a change in mental outlook may prove. At any rate there are substantial and successful business men who regard it as an extremely important factor. Thus Mr. Sam A. Lewisohn (first vice-president of Tennessee Copper and Chemical Company and Miami Copper Company) testified before a committee of the United States Senate:[7]

[7] *Hearing before the Committee on Education and Labor, United States Senate,* Senate Report No. 2072, 1929, p. 22.

Necessity is the mother of invention, and in business it seems to me anybody can realize that the important thing is to create a state of mind among business men so that, if I may use the phrase "regularization first," it becomes the fashionable thing among them to introduce stability in their plants.

In a similar vein Daniel Willard (president of the Baltimore and Ohio Railroad) testified:[8]

Stabilization can be promoted more by a state of mind that almost anything else that I can think of, because what we have accomplished on the Baltimore and Ohio is largely the result of a different state of mind or point of view. It reflects a conscious desire to improve and stabilize working conditions in one period as compared with a less conscious and impelling desire in another period. This apparent indifference you might say should be criticized and apologized for, and I do apologize for it, but it reflects the way I had been brought up; and when I say "I" I think it applies rather generally to a great part of all those who employ labor. I know that previous to the war we didn't think it wrong to hire 5,000 or 6,000 new men in the summer for track work, such as putting in rails and ties, and do it as quickly as possible, and then lay them off. We had always been following that plan, at least to a large degree.

Many other quotations could be given to the same effect. The views of practical business men on this matter should be entitled to some consideration.

If a change in employer psychology is of great importance in promoting regularity in employment, how can such a change be brought about? An unemployment compensation plan which assesses the cost on the specific concern should be an effective instrument for this purpose. On the other hand a pooled unemployment insurance fund raised by three-party contributions or an income tax would have quite the reverse effect. It would obviously relieve employers of any responsibility they now feel to provide for their own workers. In fact it is opposed by business men who believe in the possibilities of regularization.

So much for the psychological impetus to prevention inherent in the company reserve plan. It is very possible that its financial impetus will also prove considerable. Professor Morton stresses the present inducements to regular operation contained in existing overhead costs, and concludes that two per cent of payroll is too small an amount to affect any business man's decisions. No demonstration is needed to prove that two per cent of payroll is a small sum compared to the total wage bill, or the cost of raw materials, or of building an addition to plant. But it should be remembered that there are few situations where the possible saving of this two per cent is on one side and all the other savings are on the other.[9] For example, take the question of whether or not

[8] *Ibid.*, p. 80.

[9] Professor John R. Commons, the foremost American advocate of unemployment compensation legislation, has always believed that such legislation could and should be designed to afford effective incentives to preventive effort. According to Professor

to manufacture for stock during the dull season. Labor and raw material will have to be paid for whenever the manufacturing is to be done. If it is done during the dull season there will be saving in overhead through utilization of plant. On the other hand, manufacture for stock involves taxes on stored goods, interest on the money invested therein and a possible loss through a drop in prices. The reasons for and against manufacturing for stock may be about evenly balanced, in which case the desire to conserve an unemployment reserve fund and avoid payment of two per cent into it may well be a decisive factor. The same line of reasoning holds true for other stabilization devices—off-season discounting, diversification of products, and so forth.[10]

In stressing already existing incentives to regular operation the critics of the Wisconsin law have overlooked the fact that regularity of operation and the prevention of unemployment are not entirely coincidental. Assume that the desire to avoid the two per cent assessment will not induce a given employer to operate a given line or department more steadily than before. He will still be stimulated to conserve his unemployment reserve fund by finding other jobs for the workers he must lay off—either in other departments of his own concern or elsewhere. Or he may decide to reduce hours all around and divide up the work, since under the Wisconsin act no benefits are payable to workers who are receiving as much as half-time employment.[11] It should be noted

Commons the stimulus to prevention of the Wisconsin act depends on the relation of the two per cent contribution not to costs but to the "margin for profit." This margin for profit theory (which Professor Morton attacks) is ably expounded and defended by Professor Commons in one chapter of his forthcoming book, *Institutional Economics*, to be published by Macmillan in the spring.

[10] Some of the advocates of a pooled insurance fund assert that the use of "experience rating" in setting premium rates under their system can provide an incentive to prevention just as great as that afforded by separate company reserves. But pooling can enhance the security of the average worker only by using the contributions of the concern with less unemployment to augment the contributions of the concern with more. If experience rating is carried so far as to assure to the individual concern the full saving from its efforts to achieve regularity then the unemployment compensation funds are in fact no longer pooled at all, but kept in separate plant reserves. And then the increased protection to the average worker disappears. In short, it is a rule of political as well as domestic economy that one cannot eat one's cake and have it too.

[11] Professor Morton's statement to the contrary is based on a misapprehension as to the provisions of the act. He states that: "The inauguration of the present law would immediately lead to a greater relief burden upon the state and counties. Many employers who are providing part-time work for their employees would probably feel inclined to reduce their force to a minimum and consequently work a small force full-time rather than pay premiums on an enlarged group. The Wisconsin law will tend to eliminate the staggering of unemployment—be that good or bad" (p. 408, *American Economic Review*, September, 1933). In point of fact the employer's contribution under the Wisconsin act is calculated as a percentage of payroll and the number of persons employed makes no difference whatever. And no benefits need be paid while at least half-time employment is maintained.

that the present incentive for the share-the-work movement is purely humanitarian; and, despite much advertising, the practice has been far from universal. Perhaps some unemployment can best be prevented by concerted action of all the employers in a community. The best way is to give each individual a clear-cut financial incentive to coöperate.

In his belief that nothing can be done to prevent prevailing unemployment Professor Morton is at variance with representative and respectable business opinion. Says Professor Morton, "As an individual he (the business man) is powerless to resist the forces impinging upon him except by acting in the conventional manner, by hiring and firing, expanding and contracting."[12] Yet the American Section of the International Chamber of Commerce asserted in 1931:

> Employment regularization experiments of American employers have demonstrated unmistakably that the management of every type of business enterprise can exert some measure of control over the economic forces which produce intermittent unemployment. These forces vary in intensity. . . . Yet there is scarcely a line of industry in which some company operating in the United States has not effected an appreciable reduction in irregularity of employment.[13]

The potency of a company unemployment reserve in promoting regularity of employment is attested by the United States Chamber of Commerce. "Possibly the chief advantage of an unemployment benefit system," says a report of that body, "is the incentive which it affords to the employer to reduce unemployment."[14]

M. B. Folson of the Eastman Kodak Company testified to the same effect before a committee of the United States Senate in October, 1931. In describing the company reserves set up voluntarily by 16 (later 19) Rochester concerns, he declared:

> With the additional incentive provided by the adoption of an unemployment benefit plan, employers will undoubtedly strive to find additional means to reduce fluctuations in employment, greater efforts will be made to stagger production, to seek new marketing methods, and to find new products which might be added, so that fluctuations in production could be reduced. Foremen and superintendents will know the cost which lay offs in their departments cause, and it will bring home to them the advantages of stabilizing.[15]

The statements of American business men about regularization are significant. Even more significant are their achievements. It is fashionable nowadays to scoff at the regularization of such firms as Eastman

[12] *Op. cit.*, p. 402.

[13] American Section of the International Chamber of Commerce, *Employment Regularization in the U.S.A.*, Washington, D.C., 1931, pp. 29-30.

[14] Chamber of Commerce of the United States, *Balancing Production and Employment through Management Control*, Washington, D.C., 1930, p. 47.

[15] *Hearings before Select Committee on Unemployment Insurance, U. S. Senate*, pursuant to S. Res. 483 (71st Congress), 1931, pp. 107-108.

Kodak, Dennison, Hills Brothers, Filene's, etc., to explain that each one of them is "different" or to point to the failure of some of them to run steadily throughout the worst depression in history. Actually their performance even in this period has been strikingly better than that of unstabilized concerns. And in the preceding decade they constituted a notable exception to the prevailing irregularity and violent fluctuations to be found even in the most prosperous and most rapidly expanding of industries such as radios and automobiles. Professor Morton holds that one concern cannot stabilize in an unstable world, yet there are achievements to refute him in practically every line of industry.

Moreover, he never considers what might happen if the attempt to stabilize were being made all along the line. The Filene store which sells furs in August makes it possible for some furriers to start work long before their normal season. The Packard Company which makes cars all the year round helps at least a little to stabilize the steel industry. The makers of Thom McAn shoes consume leather at a constant rate throughout the year—the effect on the tanneries is obvious. The influence of stabilization could also spread in the opposite direction. Seasonal price differentials in steel goods might make enough difference in costs to swing the balance and induce the makers of automobiles or radios to take a chance on manufacturing for stock in off seasons. Even today the influence of a single stabilized concern tends to radiate in all directions. Multiply the focal points and the stabilizing effect might be out of all proportion.

The critics of the Wisconsin law usually admit that something might be done to regularize operations within the normal year. But they tend to dismiss such an accomplishment rather lightly and to disregard entirely the possibility that it might in turn operate to reduce cyclical or technological unemployment. Yet regularization in normal times clearly involves a check on unwarranted expansion. Less facilities are needed for a given volume of steady production than for the same volume of irregular production. And if under the impetus of legislation on the Wisconsin model such regularization became general, would not general overexpansion be materially reduced?[16] Moreover, regular earnings

[16] An effective argument against assessing the costs of unemployment on specific industries and concerns has been made by Professor Paul Douglas (in his *Standards of Unemployment Insurance*, p. 159) when he points out that industries producing consumers goods are far less affected by depressional unemployment than industries producing capital goods. Hence, according to his reasoning, compensation funds should be pooled and industries which are inherently more stable should help carry the load for those which are inherently irregular. Assuming his premise to be true there may be a real social advantage in allocating costs correctly as between the two types of industrial activity. The higher costs of caring for unemployment in the production of capital goods will presumably be reflected in higher prices for such goods. This should help at least a little to deter over-expansion of plant by making it more expensive, and consequently should also tend to prevent over-development of industries producing capital goods.

weeks in the year for the bulk of American wage earners would mean regular and sustained purchasing power. That fluctuating purchasing power is a cause (as well as a consequence) of the business cycle is today very widely accepted. As for technological unemployment, regularization would reveal whether or not a real surplus of labor existed. Other steps for dealing with it, such as shortening hours, might then be more readily undertaken.

So it appears at least probable that a substantial amount of unemployment can be prevented. We may concede that the possibility of prevention cannot be proved by any method of deductive reasoning. But it can be taken as a working hypothesis to be tested experimentally. Such is the purpose of the Wisconsin act. That measure proposes to use the force of social control not only to afford relief to the unemployed but also to give the most effective psychological and financial inducement to business men to regularize industrial operations. No one can say in advance what the result will be. But the stakes in human welfare are high. Surely the experiment is worth trying, not only in Wisconsin but in other states as well.

IV. Unemployment Compensation and the New Deal

The Wisconsin act was passed in 1932. Today some critics declare that it is outmoded by the enactment of the National Industrial Recovery act. They claim: (1) that we have entered a new era in which national action will supplant that by the several states; (2) that we have seen the end of our individualist economy—in its place we shall have collective action with the industry not the business enterprise the unit. Hence it is alleged a state law which gives the individual concern a measure of responsibility for unemployment through the device of a company reserve is out of date.

This criticism may be answered as follows:

(1) So far no national action to provide unemployment compensation has been taken. It has not to date been included in any code; moreover it is not in any way required under the Recovery act. That unemployment compensation will be generally provided through the codes seems very doubtful. Whether the National Recovery act is temporary or will in some form become permanent of course no one knows. But it is by no means clear that we have reached a point where state labor legislation should be given up. When we contemplate the general federalization of such activity, constitutional doubts loom large and administrative difficulties perhaps even larger. Very probably congressional stimulus to state action through some taxation device will prove the more hopeful way of achieving widespread protection for the unemployed. Meanwhile it is the part of wisdom for the proponents of unemployment compensation to continue with unabated energy the

campaign for state legislation. State measures can without difficulty be made to fit in with any possible national program under NRA or otherwise. They can provide for exemption from the state scheme for any concern when and while it is part of an unemployment compensation system set up by Congress or under an NRA code approved by the President. So much for state versus federal action.

(2) But the second question remains. Does the New Deal render obsolete the allocation of a part of the cost of unemployment to individual concerns. The National Recovery act does not eliminate the individual concern as the unit of production. It merely provides for a measure of collective control to be exercised through the medium of an organization of individual producers. The individual concern will still be the unit which hires and fires workers, operates plant or shuts down. From the point of view of preventing unemployment, rules affecting all producers may prove important. We are beginning to recognize that the practices of a cut-throat minority can demoralize a whole industry. But to motivate the enactment of such rules, and even more to induce compliance with them, it is highly important to preserve a definite financial incentive for the individual producer. And this purpose can best be served by the company reserve arrangement, regardless of whether a state law or an industrial code is involved.

As for unpreventable unemployment. Even under an economic system far more socialized than that created by NRA codes, cost accounting on an individual concern basis will still be socially desirable, if not indispensable. As long as we are interested in keeping costs down we must maintain, not obliterate, the distinction between high cost and low cost production units. This is done even in Russia. As for the NRA, the codes set minimum wages to be paid by every producer in the industry to prevent the unfair competition of sweat shops. They do not create a pooled fund to supplement the wages paid by sweat shops. Similarly the codes might properly require each producer to make reasonable provisions for his unemployed workers as a part of the minimum standards for the industry.

In short, the basic arguments for the Wisconsin type of unemployment compensation remain valid despite the passage of the National Industrial Recovery act. Unemployment is still a problem to be met by a more adequate system of relief and the utmost effort at prevention. The best spur to effort both individual and collective and the best distribution of the relief burden from the social point of view would still seem to be attainable by allocating the cost at least in some measure to individual business concerns.

Harold M. Groves
Elizabeth Brandeis

University of Wisconsin

THE EMERGENCY BUDGET OF THE FEDERAL GOVERNMENT

Recent changes in the form of the Daily Statement of the United States Treasury imply the adoption of a new budgetary policy. The segregation, into a new emergency category, of expenditures made in conjunction with the recovery program has created the need for a special budget to be financed entirely by credit. The elimination of the emergency items from the general outlay has enabled the Treasury to approach a balance between expenditures and revenues. Analysis of the recovery appropriations shows that their magnitude, the uncertain circumstances surrounding their payment and the nature of the control exercised over their disbursement made it advisable to abandon the old unified single budget system. It is difficult to absorb economic programs into the scope of ordinary budget procedures. The new budget does not carry with it the usual undesirable features associated with extraordinary budgets; there are no objectionable credit manipulations, no unwarranted distinctions between different fiscal items; and there is no attempt at concealment. It is necessary however to guard closely a system of multiple budgets against the adoption of ill-advised measures.

The fiscal effects of a recovery program involving the expenditure of billions of dollars cannot be measured in terms of the ordinary financial activities of a government. The very nature of the economic legislation which accompanies such a broad and comprehensive plan implies the use of extraordinary procedures. There was, therefore, only a small element of surprise in the announcement of changes in the accounting methods of the federal government. These are more than modifications in the bookkeeping procedure. They involve major reforms in the budgetary system and as such are worthy of greater interest than has been shown by both the general public and the academic world.

The vehicle for displaying the new budgetary policy is the Daily Statement of the United States Treasury. For each business day of the year there is issued a detailed analysis of the assets and liabilities, receipts and expenditures, public debt status and significant monetary and central bank data of the government. The scope of this official publication as well as the regularity and promptness of its appearance are responsible for the broad interest displayed in it by the financial press of the nation. The enviable position of the United States as a successful borrower receives no small measure of support from the widespread confidence which such a policy of publicity instills.

A delay of several days in the publication of the Statement for July 1, 1933, lent credence to the rumors that the opening of the new fiscal year would be accompanied by changes in the form of the Statement. When finally issued the Statement did in fact display new methods of arrangement and announced that: "Beginning with the issue of the Daily Statement of the United States Treasury for July 1, 1933, several important changes have been made . . . with respect to exhibiting the receipts and expenditures of the government." These changes, as well as their background and significance, are described below. (The tables,

as appearing in the old and the modified Statements, are presented in the appendices.)

Under the 1933 methods (budget and fiscal periods are known by reference to the calendar year in which they end), federal expenditures were arranged under the headings of "General Fund" and "Special Fund." The sums out of which these expenditures were made constituted the basis of the distinction. The "new" 1934 Statements consolidate these under a single heading of "General and Special Funds" which covers the entire table of the "Comparative Analysis of Receipts and Expenditures." There is no indication in the new set-up how these funds are allocated between the general and special categories. A new and more significant basis for classification of expenditures has been introduced, the groupings now being under "General" and "Emergency" labels. This subdivision of the federal outgo justifies the accusation that the United States has abandoned its unified single budget for a system of multiple and extraordinary budgets. This calls for detailed analysis.

The regular departmental service expenditures are included as before under the "General" category. Previously they were given as a lump sum, the item "General" being merely a sub-heading under the expenditures from the general fund. The new Statement calls for a segregation of the outlay for national defense (Army and Navy), Veterans' Administration, the construction of public buildings by the Treasury, and river and harbor work. The other sub-headings for postal deficiency, public debt service, etc., appear as before. The reason for singling out four features of the departmental expenditures for individual recognition is found in the fact that these items have been split into both the "General" and "Emergency" categories and no totals would be available unless they were taken from the departmental sum and isolated. Another feature of the "General" group is the insertion of certain items of the "Emergency" program, namely the Agricultural Adjustment Administration (A.A.A.). The reason for this anomalous inclusion will be found in the discussion of revenue changes below.

The new "Emergency" group is recruited from four sources. First, as we have seen above, some old service outlays have been partly taken over by the "Emergency" category. The portion which is still subject to the regular departmental procedure is kept in the "General" group, while that portion which appears in the new list, comes under the federal Emergency Administration of Public Works. Except for Veterans' Administration, these items all relate to construction. Second, a group of expenditures, including public highway construction and the Boulder Canyon Dam project are taken wholly from the old Statement "General Fund" group. Third, expenditures made by the quasi-public Reconstruction Finance Corporation (R.F.C., January 22, 1932, C. 8, Art. 1, 47

Stat.) previously kept out of the accounts (with the exception of $500,000,000 for payment of proceeds of sale to the Treasury of the Corporation's capital stock) are now wholely included. Fourth, the recovery program contributes the bulk of the new category, as the expenditures called for by the main legislative enactments are all herein contained. The Federal Emergency Administration of Public Works, the Administration for Industrial Recovery (N.R.A.), the Agricultural Adjustment Administration, the Farm Credit Administration and the Administration of Emergency Conservation Work are those that are most familiar.

The Treasury Statement follows the example of the federal budgetary documents in placing the emphasis on the expenditures. The revenue side of the Statement, now as before, lists the governmental income in a few broad categories and makes no detailed analysis by tax types. (Such information is periodically issued by the Internal Revenue and other bureaus of the Treasury Department.) The new revenue listing, besides the consolidation of "General and Special Funds" to which the entire analysis is subject, shows therefore only one feature of the new program. This is the addition of another sub-category under the Internal Revenue heading for the "Processing Tax on Farm Products." These taxes are new and their inclusion must be considered as a normal addition rather than a modification.

The special characteristics of these processing taxes (so called because they are levied against those engaged in processing farm products) call for some explanation. The recovery program relies upon the use of taxation to cover only a small part of its expenditures. The legislation permitting the sale of non-intoxicating malt beverages (3.2 per cent beer, approved March 22, 1933, C. 4, Art. 1, 48 Stat.), and which may be justly considered an element in the recovery plan, carried with it tax measures. The funds from this source are absorbed into the "Miscellaneous Internal Revenue" category. Equally the National Industrial Recovery act (approved June 16, 1933, C. 90, 48 Stat.) included provisions for levying three re-employment and relief taxes—tax on dividends, capital stock tax and excess profits tax—which are likewise carried under the existing "Income Tax" and "Miscellaneous Internal Revenue" groups. Finally, there is the Agricultural Adjustment act providing for processing taxes (approved May 12, 1933, C. 25, Art. 9, 48 Stat.) on agricultural and stock products. As has already been stated, their inclusion in the revenue column raises several special problems. These processing taxes represent a new element in the federal fiscal policy: namely, the assignment of specific tax revenues for a designated purpose. The sub-title of the A.A.A. indicates clearly that such a policy is being pursued: "An Act to relieve the existing national economic emer-

gency by increasing purchasing power, *to raise revenue for extraordinary expenses incurred by reason of such emergency, . . .* " The Act, however, has not eliminated the need for borrowing, as a sum of $100,000,000 was appropriated in addition to the sums covered by taxation, estimated at one billion dollars. The expenditures of the A.A.A. are therefore found in both parts of the Statement; those which arise out of the $100,000,000 fund appear as emergency expenditures, while those sums expended from funds collected under or in anticipation of the processing taxes are placed in the "General" category. The legislative enactment regarding processing taxes calls for their expenditure by the Secretary of Agriculture so that no legal fiction is necessary to place them in the regular grouping.

The actual reason for the apparently unnecessary distinction lies, no doubt, in the fact that the emergency category is a strictly credit financed group and would not be in a position to claim an extraordinary character, if sums collected by current taxation were included.

Contrary to some expressed beliefs the three taxes provided in the N.R.A. do not call for the earmarking of funds. The Act provided for the expenditure of $3,300,000,000 to be financed by Treasury loans; the Act furthermore called for the levying of certain taxes to defray the cost of paying interest and sinking fund charges. While it is true that there was a definite link in the mind of the legislator between the funds collected from these taxes and the service charges of the debt, this relationship is only a nominal one and loses all significance as far as the Treasury accounts, administration, and the budgetary procedure are concerned. A comparison of the N.R.A. taxes with the A.A.A. taxes will clearly bring this point out. The latter are earmarked for the assigned purposes only; in case the funds collected are insufficient, the Secretary of Agriculture may obtain, under the terms of the Act, advances from the Treasury. These are not general Treasury funds but are funds granted for a temporary period in anticipation of the collection of the processing taxes. The amount of these advances is fixed not by the expenditure requirement but by estimates of the expected tax yield. In a certain sense, the Treasury grants funds to the Secretary of Agriculture in return for processing tax anticipation warrants. The law fixes the amount of the A.A.A. outgo by limiting it to the $100,000,000 appropriation plus the proceeds from the processing taxes.

On the other hand the N.R.A. taxes are merely additions to the general Treasury funds and lose their N.R.A. identity. The justification for their imposition must not be confounded with an earmarking for specific use. It is known that in submitting his budget, the President must, if the estimated expenditures exceed estimated revenues plus available Treasury surplus, make recommendations for removing the pro-

spective deficit. If a poll tax, for example, were suggested by the President for this purpose we should be faced with the same situation as we are with our three unemployment and relief taxes. The expenditure (in the N.R.A. instance the debt service charge) is not omitted, save for bankruptcy, in case the taxes fail to yield any revenue. Furthermore the Act authorizes the flotation of the debt which would incur the service charges under discussion, but does not make the debt increase mandatory, while the taxes are collected and placed at the disposal of the Treasury for general purposes regardless of any other circumstance. It is evident, therefore, that the Recovery program adopted during the last session of the Congress calls for only one case of a specific-use assignment.

The other tables given in the Daily Statement, including the detailed summaries which appear the fifteenth of each month showing classified receipts and expenditures, and the daily non-cumulative receipts and expenditures, show corresponding changes. In the last mentioned Daily income and outgo table it is interesting to note that the old Statement made a distinction, on the revenue side, between ordinary and public debt receipts, while the new form abolishes this.

The completion of the first five months of the new fiscal year has not given us an opportunity to determine decisively the effectiveness of the new policy. It has, however, in terms of its limited scope, almost enabled the Administration to claim a "balanced budget." It is problematical whether or not the Administration should be taken to task for failure to include the qualifying phrase of "by virtue of the new bookkeeping." On December 1, the Daily Statement showed total receipts of $1,144,409,786.62 and general expenditures of $1,221,805,904.45. The rather poor showing of the quarterly income-tax payment failed to increase the deficit, "new style." During the same five-month period the emergency column showed only $725,108,064.30, giving a total expense of $1,946,913,968.75. The deficit of $77,396,117.83 would under the old procedure have been a deficit of $802,504,182.13, less the R.F.C. items. It is noted that comparisons cannot be made with the figures as they appear in the Statement because of the R.F.C. inclusion. The Treasury should have made it possible for comparative studies to be made with greater accuracy than at present as the usual procedure is to accept the Treasury figures without further reckoning. The Treasury now merely advises against comparing the given figures.

It is estimated that for the remaining seven months of the year the small "deficit" will disappear. General expenditures show no great seasonal variations, while the distribution of income-tax payments in quarterly installments removes any tendency for marked unevenness on the revenue side. The repeal of the prohibition amendment has added an

amount of revenue which is expected to be greater than the yield of the N.R.A. taxes which are to be eliminated at stated intervals after December 5. Unless the unexpected element arrives, our federal finances will undoubtedly enter a self delimited "Promised Land."

It is apparent that at the present rate of growth the emergency budget will add less than a billion and a half dollars to the public debt, but it is equally evident that the pattern of these expenditures will change considerably. The rate of growth will be accelerated as allotted funds are actually spent. The largest potential item, the public works program, shows on December 1 only $135,263,864.44 although over three billions will have been allotted. The real test will, therefore, come when the government will have to maintain its credit in order to finance the emergency budget. The theory which is relied upon is that the confidence created by the balancing of the regular budget will enable the Treasury to withstand the fresh test of its credit.

Having described the scope of the new policy and its results, we turn now to a discussion of the reasons for its adoption, its justification and its significance.

During the campaign waged prior to the presidential election in the fall of 1932, much interest was shown in the state of the federal finances. The incumbent Republican Administration allocated the blame to factors outside of its control and defended its policies, while the Democratic nominee made no small capital of the fact that the policies of his opponent had resulted in a series of deficits of colossal magnitude. Governor Roosevelt, furthermore, severely criticized President Hoover for not having included all the expenditures of the R.F.C. in the Treasury figures; he added these to arrive at what he considered the true deficit. On both sides the usual political promises to balance the budget were the order of the day. After the election of Governor Roosevelt and his inauguration as President, his efforts were turned toward the budget problem. The balancing task did not, however, appear as an attainable achievement. For, notwithstanding new tax measures and a radical program of expenditure curtailment, the Treasury was faced with a formidable array of new payments. These were the expenditures called for in the various legislative enactments adopted in the economic recovery drive.

The President's decision was, from the start, not difficult to comprehend; for he repeatedly emphasized that he could not, for the purposes of balancing the budget, consider extraordinary expenses as falling in the same category with what he varyingly described as the current, ordinary, regular, normal or routine costs of government. The enormous sums involved in the emergency expenditures made it evident that unless these were isolated, deficits of unprecedented size would result in the regu-

lar budget. A further indication of the policy the Administration intended to pursue was seen in the analogy between the cost of the recovery program and our war-time expenses. President Roosevelt on several occasions expressed the view that peace-time emergencies were to be funded over a long period as was our war outlay. The rapidity with which the public debt was growing since the beginning of the depression gave a certain basis of similarity to the recovery and victory efforts.

The new Administration was now subjected to the same type of criticism that it had levied against its predecessors in office. That is, the continued exclusion of the R.F.C. was now used by the Republican minority to attack any statements made regarding the amelioration in the state of the finances.

It was, therefore, evident to those concerned that some step would have to be taken to revise the budgetary system. June 30, 1933, marking the end of the last fiscal year in which the Republican administration had shared and opening a new period entirely under the control of the present régime, offered an excellent opportunity for the contemplated modifications. The actual work has been attributed to Dean Acheson, then the Acting Secretary of the Treasury and Lewis W. Douglas, Director of the Budget.

Under the federal "Budget and Accounting act of 1921" (L. 20, 42 Stat.) the President, through the Bureau of the Budget, which is directly under his control and responsible only to him, is given the sole power of preparing and submitting the fiscal program. The legislative sanction, in the form of voting his program, does not have to be given to the changes herein discussed. In their present state, they are of no legal significance, as they are only expressed in the form of an alteration in the mode of exhibiting the receipts and expenditures. In the early part of 1934, when the 1935 budget is submitted, there will no doubt be an expression of opinion on this matter if its use is attacked by the opposition in Congress. However, the American legislature, contrary to the procedure of the French and Italian Parliaments, votes only specific expenditures, authorizations and appropriations in addition to revenue legislation; and no opportunity is given to Congress to vote the budget as a whole. Furthermore, although there are provisions in the law requiring the President to recommend means towards the balancing of the budget, there is no indication as to what these must be. There is also no necessity for Congress to carry out his recommendations or to balance the budget at all. One can see, therefore, that no legislative approval of the steps already taken will be needed.

It is safe to conclude that for a great many purposes the present arrangement will lose its significance. One feature which will be unaffected is the public debt, as there is no reason to believe that the new policy

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will in any way segregate or attempt to allocate the public credit to any other debtor than the United States government. On the contrary, the new policy carries with it an added feature which provides for a daily summary showing the net effect of all receipts and expenditures of the government on the gross public debt. The reader will note in the new Statement shown in the Appendix II a line showing "Public debt (this date)." Such a figure was not given in the old Statement.

A further indication of the fact that for some purposes the accounts are still considered in a unified form is seen in the very provisions of the N.R.A. itself. The taxes which it imposes and labels as re-employment and relief taxes are temporary. Their termination is fixed at no specified date but depends on two contingent events. One of these, the repeal of the eighteenth constitutional amendment has already been achieved. Four levies become ineffective as of the following dates: January 1, 1934, the five per cent dividend tax, excess profits tax and the one-half cent sales tax on gasoline; July 1, 1934, the capital stock tax. The other contingency mentioned is the attainment of a balanced budget. In the words of the Act, "the taxes automatically terminate with the close of the first fiscal year ending June 30 of any year after the year 1933, during which the total receipts of the United States (excluding public-debt receipts) exceed its total expenditures (excluding public debt expenditures other than those chargeable against such receipts)." (Sec. 761-4a, Rev. act of 1932.) The courts would no doubt hold that the legislation here does not contemplate consideration of any arbitrary line of demarcation between certain expenditures and others.

One can say, therefore, that in view of the fact that the modifications in their present form do not legally signify, though they may imply, changes in our fiscal policy, there can be no question of their acceptance or non-acceptance. Only rejection of the recovery plan itself by the judiciary, can be taken as a basis for discarding the new methods.

The fiscal year of 1933 ended with a deficit of $1,786,218,717; while during the same period the public debt grew from $19,487,002,444 to $22,538,672,560, an increase of $3,051,670,116. (The discrepancy is accounted for by the fact that only $500,000,000 of the $1,277,038,167 which the R.F.C. spent, is included in the budget figure and by the inclusion in the budget of over $400,000,000 for debt retirement. In addition to this the gross debt shows change to the amount of the monetary issues outstanding.)

There was no doubt that the budget of the new fiscal year would, even if R.F.C. figures had been included, surpass by a large amount the 1933 budget of $3,865,915,458. The National Industrial Recovery act alone carried provisions for a public works expenditure of $3,300,000,000 in addition to the regular departmental estimates. Other items included:

Relief Emergency Administration $500,000,000
(March 31, 1933, C. 17 Art. 6, 48 Stat.)
Home Owner Loan act 200,000,000
(June 13, 1933, C. 64 Art. 1, 48 Stat.)
Federal Farm act of 1933 120,000,000
(June 16, 1933, C. 98 Art. 1, 48 Stat.)
Federal Home Loan Banks 100,000,000
(July 22, 1932, C. 522 Art. 1, 47 Stat.)
Agricultural Adjustment act 100,000,000
(May 12, 1933, C. 25 Art. 9, 48 Stat.)
Tennessee Valley Authority 50,000,000
(May 18, 1933, C. 32 Art. 15, 48 Stat.)

The R.F.C. was further authorized to lend $200,000,000 to the Farmer's Loan Commissioner, under the terms of the Emergency Farm Mortgage act (May 12, 1933, C. 25, Art. 32, 48 Stat.). The previous R.F.C. program was still in force and was further supplemented by the authorization granted to the corporation to purchase preferred stocks of banks and insurance companies.

Added to these is the assumption of a contingent liability by the government of over $2,000,000,000 through the guaranteeing of loans for the Home Owner's Loan Corporation and the Farmer's Loan Commissioner. Bank insurance means a further liability involved in a guarantee of deposits which may reach over $2,000,000,000. There are additional items such as the cost of conservation work, which have not been mentioned. One need not hesitate to state that the government outlay, involved in the recovery program which was adopted by the legislature before June 30, 1933, threatened literally to swamp the entire fiscal structure. The financing of "The New Deal" is said to involve some $12,000,000,000. The magnitude of these items alone is sufficient justification for their segregation. These sums demanded the adoption of some new fiscal mechanism, inasmuch as the R.F.C. had already shown that the ordinary procedure could not cope with extraordinary items.

There are, however, several other reasons which lead us to conclude that the Administration was justified in drawing the line between emergency and other expenditures. First, it is difficult to view the outlay for the recovery program as true government expenditures, as the major portion consists of advances to public and private bodies for self-liquidating construction work. Another share is composed of loans to commercial, financial and industrial enterprises; and in both these groups there is the possibility that the funds, either wholly or in part, will be repaid. Furthermore, the government receives obligations of the debtors and has the possibility of carrying on banking operations to its own advantage with them.

On the other hand, some of the expenditures are not advances made in anticipation of future receipts. This category includes outright relief payments, purchases of commodities for distribution and non-self-

liquidating public works. Here the payments are considered as being made but once and hence do not compare with recurring government expenditures. They are the kind of expenses which constitute the usual special budget category.

Only a minor portion of the emergency group may be considered the equivalent of regular expenditures. These include salaries and administration expenses and exist solely by virtue of the accompanying emergency payments. It is, therefore, not unreasonable to withdraw these expenditures on the ground of their character. They mostly represent financial operations made under government auspices and do not measure the cost of government.

Second, it was evident that these emergency items were of a contingent character and that not all of the great sums involved would be disbursed in the fiscal year of 1934. The ordinary expenditures in the federal budget are merely permissions to spend and not mandatory orders to do so. Not excepting even wide sweeping economy measures, usually a major portion of the authorized expenditures will be made up to the limit of the appropriations. But in addition to this feature the emergency items were subject to the time limitation necessitated by the mobilization of the Administration for their actual outlay. The program contained several items, furthermore, which were not definitely accepted by the Administration; the use of the Deposit Insurance Corporation privileges were doubtful from the start. In addition, the entire plan was in danger of being scrapped if a marked upward trend of business had taken place. We may, therefore, state that the uncertain nature of these expenditures, the doubt as to when they would be made, if at all, and the fluctuations in their magnitude, distinguished them from the recurring departmental service items.

Third, the segregation is warranted on the grounds that the type of control which is exercised over the emergency outgo differs from that related to the regular expenditures. Rigid civil service requirements, standard salary schedules, strict budgetary and warrant procedure, and the usual formalities accompanying the letting of contracts for public enterprises are all eliminated or modified. Many other features characteristic of our government economy are absent. Control, such as we are accustomed to in government operations, is relaxed. Speed, the cutting of red tape, the granting of centralized individual power and the definite linking of these items to specific economic measures to which they are in the final analysis subservient are all attributes lacking in the case of the general type of expense.

Fourth, it is known that a definite economic philosophy lies behind these expenditures. They are endowed with characteristics of an expansion policy and herald a new era in public spending. The budget

rightfully should be kept apart from this kind of situation. Economy, retrenchment, efficiency and exactness must remain now, as ever, the motto for budgets and government spending as such. The accepted concepts of efficient public budgeting cannot be reconciled with the procedures which are employed in making the emergency expenditures.

Fifth, the United States, together with other nations possessing federated forms of government, is in a peculiar position. Our citizens contribute to three or four governmental units which have marked degrees of fiscal autonomy, and are, therefore, interested in the balancing of more than one budget. Deficits in the federal budgets set a dangerous precedent, as do any other departures from correct budgetary procedure. It is vital that some type of balance be achieved in our federal finances, because, apart from the monetary and credit implications, the continuance of a deficit economy may undermine confidence in government, and react unfavorably upon the budgets of the political subdivisions. These, being local and hampered by legal restrictions, are not in a position to follow in the steps of the federal budget were it to choose falling in line with the new and variable policies rather than retaining a strict, though only partial budgetary system.

Sixth, and finally, our entire budgetary philosophy is antagonistic in its present form, to the inclusion in its scope of such factors as are associated with the recovery program. Governments like those in Russia and Italy, which have taken into their regular framework the media for state economic intervention, are in a better position to include economic legislation in their budgets. Fascist Italy has absorbed such factors as non-monetary industrial levies and monumental public works programs into its budget; while Soviet Russia carries out its entire economic program with its many ramifications solely through the annual budget. On the other hand, Germany has not had an enviable experience in the placing of a large social and economic program through the regular fiscal procedure. Both England and France have learned that the ordinary kind of budgetary control is not successful in treating with the large number of people who come under social insurance benefits. A good example of the difficulties which are met with when the attempt is made to move economic policies into budgetary procedure, is seen in our own recovery program. There has been in the recent past, considerable friction between General Hugh Johnson, the N.R.A. administrator, and our budgetary authorities because the federal offices do not maintain the hours, and pay the wage scales adopted by private industry. The federal employees have had their employment terms fixed in the budget schedules; and the Comptroller is unable to sanction wage increases or any other changes.

The fault or the difficulty, whichever way one chooses to look at the

situation, may lie in the mechanism of democratic government rather than in the inflexibility of the fiscal procedure. The fact remains, however, that economic salvation must be sought outside the budget. Premier Daladier of France vainly requested a special procedure in order to carry through his budget which was linked with an elaborate economic program to support the gold-franc. It is recalled that the 1926 save-the-franc effort was accompanied by an "exceptional" budgetary procedure. We can summarize by concluding that the reforms which were instituted are to be regarded as almost inevitable under the existing circumstances.

The reforms, though officially announced as a change in the bookkeeping methods, were quickly labelled by the press of the nation as heralding the adoption of a "double budget." One is at a loss to explain why the suggestion of the Statement was not taken, and why the new set-up was not labelled as an "Emergency Budget." The name, though important in measuring the public reaction, does not play such an important rôle as does the actual feeling regarding the new policy. The term "Extraordinary," when associated with budgets, has in the post-war period been taken to connote unhealthy finances. The pre-war fiscal theorists used the term in connection with long-term capital expenditure budgets, and omitted any implication of a disordered treasury condition. The accusation has been made that the new policy implies the post-war type. It will not be difficult to refute these charges.

It is evident that the modified policy was accepted in the face of an ameliorating condition. The federal credit was at its best, revenue yields were beginning to approach estimates, and the general tenor of the finances were, at the beginning of the new fiscal year, showing improvement. There is, in legal terminology, no circumstantial evidence to uphold the accusation. The elimination of certain expenditure elements tended to accelerate the natural balancing process rather than to bring about a balance by forcible means. The same reforms would have had to be viewed with suspicion in 1931 and 1932; they are not so received in 1933.

Several vices are known to accompany extraordinary budgets. The first is their use in permitting the carrying out of projects eliminated or rejected from the ordinary budget. Such practices imply misrepresentation. In our own case, it is true that we have carried into the emergency budget construction programs which were curtailed in the regular budget because of retrenchment policies, and have re-employed, for the administration of the recovery plan, civil servants who were dismissed because of economy measures growing out of the general budget. In regard to the latter matter a great deal of confusion exists and something approaching a public issue has been raised. Nevertheless it cannot be said that these actions indicate an attempt to mask any objectionable deeds.

It has been the avowed purpose of the legislature and of the Administration to carry out these plans in the above mentioned manner, and there is no element of concealment. The criticisms must be aimed at the economic philosophy of the recovery plan, not at the mechanisms which portray them in their true light.

At this point it might be similarly charged that a budgetary principle has been violated in the dedication of the revenues from the processing taxes. Here, as in the above case, the decisive influence has not been the budgetary procedure, but the A.A.A. and its motivating ideology. The use of specifically assigned funds may be subject to criticism from an economic or a tax administrative viewpoint, but the budget which accurately portrays the accepted policy cannot be the point of attack. The budget is fundamentally merely a device for conveying a fiscal, economic or political program; and it is subject to close scrutiny in order to determine if the desired program is properly formulated, prepared and executed. It is, however, a misapprehension to levy the criticism involving the basic policy, at the vehicle employed for its interpretation. In this particular instance a tax policy of highly doubtful value has been incorporated into the recovery plan. The budgetary procedure is, therefore, not subject to any criticism because, not only is there no attempt to conceal, but on the contrary, the whole matter has been brought into glaring prominence.

A second unfavorable element which we associate with extraordinary budgets is secrecy. In times of war and for certain definite purposes usually coming under the heading of diplomacy, this factor becomes a virtue. Ordinarily, however, the whole value of a budgetary procedure is denied by the hiding of the real situation. One can easily reject this charge against our new policy. All revenues and expenditures appear now as before in detail and in exact amounts. As a matter of fact, it may be said that the new policy, because of the inclusion of the R.F.C. into the accounts, stands superior to the old unified system as regards comprehensiveness and publicity. There is no justification whatsoever for the notion that the new policy screens or covers any unpleasant circumstance. The uninitiated may be inclined to emphasize the same situation in a different light. This is again the expressed intention of the Administration; no veil of secrecy need be lifted to discover this.

Third, the extraordinary budget has the reputation of being associated with manipulations of the public credit. One is accustomed to find some type of borrowing which cannot weather the strong light bestowed on the ordinary budget. The confidence in the public credit is used to finance operations not worthy of that privilege. Our emergency budget is a credit budget. It is financed by the means of borrowing, and was created with the express purpose of segregating expenditures of that

type. This feature must be judged on the merits of a pay-as-you-go argument; but once a borrowing policy has been accepted, the present procedure is beyond reproach. Now, as before, the debt created by the government for all purposes is given the same recognition and receives nothing more or nothing less than the promise of the United States to carry out the terms set forth. The emergency budget does not involve any objectionable credit features other than the creation of the debt itself. Expenditures of both categories, wherever they are not matched by current revenues, bring about the same kind of debt increase. The similarity holds for all features of the borrowing and recording policies.

A fourth objection to extraordinary budgets is the difficulty of finding adequate criteria for distinguishing between various categories of expenditures. In our own case we feel justified in stating that the line of demarcation between the emergency and the regular outgo is not without a factual basis. This is, however, usually the case with most multiple budget systems at their inception. But almost inevitably economic pressure, political expediency or even unintended misapprehensions are responsible for the breakdown of the standards used in the original segregation. Some particular feature of almost every government expense item can be made to appear as an extraordinary, emergency or capital item. It is not long before the legislator learns of the great ease with which revenues are balanced against only a limited portion of the expenditures. The temptation to arrive at a fiscal equilibrium by means of further expenditure segregation is very great, especially when the necessary medium is already present. The emergency budget, therefore, is in this respect a potential if not an actual danger. The abandonment of the unified single budget constitutes in itself a menace, and the new procedure must be closely guarded; it is the point of introduction for the human element and is an open invitation to disordered finances.

J. Wilner Sundelson

Columbia University

APPENDIX I

Daily Statement of the United States Treasury

RECEIPTS AND EXPENDITURES THIS DAY

Receipts

Statement
June 15

Internal-revenue receipts
  Income tax
  Miscellaneous internal revenue
Custom receipts
Miscellaneous receipts
  Total ordinary receipts
Public debt receipts
Balance previous day
  Total

Statement
Sept. 15

Internal-revenue receipts
  Income tax
  Miscellaneous internal revenue
  Processing tax on farm products

Customs receipts
Miscellaneous receipts
Trust fund receipts
Balance previous day
  Total

Expenditures

Statement
June 15

General expenditures
Interest on public debt
Refund of receipts
Panama Canal
All other
  Total
Public debt expenditure
Reconstruction Finance Corp.
Balance today
  Total

Statement
Sept. 15

General expenditure
  Departmental
  Interest on public debt
  All other

Emergency expenditure
Trust-fund expenditures
Public debt expenditures
Balance today
  Total

APPENDIX II

Daily Statement of the United States Treasury

COMPARATIVE ANALYSIS OF RECEIPTS AND EXPENDITURES

General Fund
June 15

Receipts:
  Internal revenue
    Income tax
    Miscellaneous internal revenue
      Total
  Customs
  Miscellaneous receipts
    Proceeds of government owned securities
    Panama Canal tolls, etc.
    Other miscellaneous
      Total

General and Special Funds
September 15

Receipts:
  Internal revenue
    Income tax
    Miscellaneous internal revenue
    Processing tax on farm products

  Customs
  Miscellaneous receipts
    Proceeds of government owned securities
    Panama Canal tolls, etc.
    Other miscellaneous
      Total Receipts

Daily Statement of the United States Treasury

COMPARATIVE ANALYSIS OF RECEIPTS AND EXPENDITURES

EXPENDITURES:
- General
- Public debt
  - Interest
  - Sinking fund
- Refund of receipts
- Postal deficiency
- Panama Canal
- Reconstruction Finance Corporation
- Subscription to stock of federal land banks
- Farm Credit Administration
- Agricultural marketing fund (net)
- Distribution of wheat and cotton for relief
- Adjusted-service certificate fund
- Civil service retirement fund
- Foreign service retirement fund
- District of Columbia
  - TOTAL

Excess of receipts
Excess of expenditures

SPECIAL FUNDS

RECEIPTS:
- Applicable to public-debt retirements
  - Principal-foreign obligations
  - Interest-foreign obligations
  - From estate taxes
  - From franchise tax receipts
  - From forfeitures, gifts, etc.
- Other
  - TOTAL

EXPENDITURES:
- Public-debt retirements
- Other
  - TOTAL

Excess of receipts
Excess of expenditures

SUMMARY OF GENERAL AND SPECIAL FUNDS

Total general fund receipts
Total special fund receipts
TOTAL
Total general fund expenditures
Total special fund expenditures
TOTAL
Excess of receipts
Excess of expenditures

TRUST FUNDS

RECEIPTS:
- District of Columbia
- Government life insurance fund
- Other
  - TOTAL

Excess of receipts or credits
Excess of expenditures

EXPENDITURES:
- **General**
  - **Departmental**
  - **Public-building construction and sites, Treasury Department**
  - **River and harbor work**
  - **National defense**
  - **Veterans administration**
  - **Adjusted service certificate fund**
  - **Agricultural Adjustment Administration**
  - **Farm Credit Administration**
  - **Agricultural marketing fund**
  - **Distribution of wheat and cotton for relief**
  - **Refunds of receipts**
  - **Postal deficiency**
  - **Panama Canal**
  - **Subscription to stock of federal land banks**
  - **Civil service retirement fund**
  - **Foreign service retirement fund**
  - **District of Columbia**
  - **Interest on public debt**
  - **Public-debt retirements**
    - **Sinking fund**
    - **Purchases and retirements from foreign repayments**
    - **Received from foreign governments under debt settlements**
    - **Estate taxes, forfeitures, gifts, etc.**
  - **TOTAL**

EMERGENCY

- **Federal emergency administration of public works**
- **Administration for industrial recovery**
- **Agricultural Adjustment Administration**
- **Farm Credit Administration**
- **Administration of emergency conservation work**
- **Reconstruction Finance Corporation**
- **Tennessee Valley Authority**
  - **TOTAL**

TOTAL EXPENDITURES

Excess of receipts
Excess of expenditures

SUMMARY

Excess of expenditures
Less public debt retirements
Excess of expenditures (excluding public debt retirements)
Trust funds, excess of receipts over expenditures
TOTAL
Increase (+) or decrease (—) in general fund balance
Increase (+) or decrease (—) in public debt
Public debt at beginning of month or year
Public debt this date

TRUST FUNDS

Receipts
Expenditures
Excess of receipts or credits
Excess of expenditures

ON THE ALLEGED CONCENTRATION OF ECONOMIC POWER

This article presents critical comments upon certain aspects of the statistical analysis used by Professors Berle and Means in their discussion of the concentration of economic power in a small list of large corporations. My two principal points are: that the authors treat all non-financial corporations as a single class in their analysis, with the result that they fail to reveal the dominant influence of the public utilities (including railroads) upon their statistical findings and fail also to bring out the great diversity in degree of concentration among various lines of industry; and that, by confining their analysis of the income data to corporations earning net income, the authors are using a sample which presumably is not adequate or representative and concerning the adequacy or representativeness of which they present no evidence. Less important points include: the authors' use of different measures of wealth in comparing the rate of growth for different classes of corporations, and their treatment of "medium-sized" corporations as a significant class. These, and numerous minor points, force me to the conclusion that their statistical argument does not constitute a scientific proof.

There appeared in this *Review* about three years ago an article in which Mr. Gardiner C. Means presented certain statistical measurements purporting to show the place of large corporations in American economic life.[1] More recently an elaboration of this statistical analysis, with certain related statistical materials, has been presented in Chapter 3, "The concentration of economic power," of the volume on *The Modern Corporation and Private Property* by Adolf A. Berle, Jr., and Gardiner C. Means.[2]

The present article undertakes to comment upon certain of the statistical materials used in the above-mentioned studies, and upon the authors' interpretation of those materials; it is not a review of the entire volume by Berle and Means—I do not feel competent to write a general review of the volume. I have however examined the other chapters of the book sufficiently to satisfy myself that they contain nothing which reduces the force of the comments presented herein relative to Chapter 3.

One who has engaged in the study of corporation statistics, and has been caught or has caught himself in serious blunders while seeking to interpret such statistics, is disposed to be lenient in criticizing attempts by other investigators to draw useful inferences from the corporation data. When however such data are used by investigators to support extraordinary findings, which are presented in a confident tone, and in a way likely to influence public opinion and to create in the public mind a conviction that the said findings rest upon a secure foundation of statistical proof, all qualified workers in the field are justified in making a searching examination of the statistical evidence. When, furthermore, the extraordinary findings apparently enter into the thinking of impor-

[1] "The Growth in the Relative Importance of the Large Corporation in American Economic Life," *American Economic Review*, March, 1931, pp. 10-42. Hereinafter designated "*Review* article."

[2] New York, Macmillan, 1932. Hereinafter designated *Modern Corporation*.

tant officers of all branches of the national government—executive, legislative, and judicial—and may be expected presently to contribute in an important way to the determination of public policy, it becomes the clear duty of qualified workers to examine this evidence.[3] I am for these reasons presenting herein certain observations concerning the statistical materials used by Berle and Means, and their interpretation.

It will be understood that these comments are not primarily directed to a questioning of the findings of Berle and Means—the purpose of this discussion is rather to challenge the conclusiveness of the statistical demonstrations as presented by Berle and Means, to examine the statistical evidence which they have used, and to raise questions concerning their interpretation of such evidence.[4] However correct the Berle and Means findings may be, scientific students of so important a question as the concentration of economic power are interested in a careful scrutiny of the statistical foundation of those findings. We ought to face the fact, in economic and other social sciences, that the paraphernalia of statistical proof should not be utilized in a careless way, or in a way likely to give the unwary reader a misleading impression of the quantitative inevitableness of the conclusions presented.

Industrial Classification

Public utilities not typical. The authors exclude financial corporations from examination.[5] This exclusion of the financial corporations is ap-

[3] Thus, the following references to certain of these findings may be noted. Honorable Franklin D. Roosevelt, in speech as candidate for president, at Columbus, Ohio, on Aug. 20, 1932 (reported in N.Y. *Times*, Aug. 21, 1932, Section 1, p. 18). See also his *Looking Forward*, pp. 31-32, 223-24, and 232-33. Honorable Sam Rayburn, Chairman of the Committee on Interstate and Foreign Commerce, in speech in the House of Representatives on May 5, 1933, relative to the bill "to provide full and fair disclosure of the character of securities," etc. (beginning p. 2953, *Cong. Record*, May 5, 1933). Mr. Justice Brandeis, in opinion in Florida chain-store case, *Supreme Court Reporter*, April 1, 1933, pp. 496 and 497.

[4] The bulk of the comments presented herein will refer to the treatment in *Modern Corporation*, but some of the points will also bear specific references to the "*Review* article" written by Mr. Means alone. I shall ordinarily refer to Mr. Berle and Mr. Means as "the authors"; and the reader will understand that, in specific references to the "*Review* article," the plural term applies strictly to Mr. Means alone.

[5] In the "*Review* article" the *included* corporations were systematically called "non-financial"; and I have adopted that term, as seemingly more nearly accurate than the term "non-banking" generally (but not systematically) used in *Modern Corporation*. The "*Review* article" gives some inkling of the reasons for leaving out the financial units, thus (p. 12): "The study is further restricted to non-financial corporations. The inclusion of banks, insurance companies, etc., would involve considerable duplications, since an important part of their assets are composed of securities of other companies." Again, in discussing growth, the "*Review* article" says (p. 24): "Here again the distinction between financial and non-financial corporations is necessary, especially in view of the rapid growth of financial companies in more recent years. Where industrial activity is concerned, there is reason to exclude such companies from consideration." Neither reason seems to explain adequately why

parently quite justified, although some students might well suggest that a full examination of the degree of concentration of economic power would by all means cover the relation of financial institutions—incorporated and otherwise—to non-financial units.

I propose however to emphasize a further exclusion which was *not* made by the authors. This additional class, which should have been studied separately or perhaps excluded entirely from the analysis, comprises the railroads and other public utilities. It is a well known fact that conditions peculiar to the public utility field act powerfully to bring about large-scale operations and even monopoly within that field. The fact, therefore, that there is an important concentration in the railroad group and in the other public utility groups, and the further fact that there was in recent years an especially vigorous trend toward concentration in the public utility field, should not be surprising to any informed economist.[6] It seems clear that, in the inclusion of railroads and other public utilities indiscriminately in their lists of non-financial corporations, the authors have laid the basis for misleading inferences concerning the degree of concentration in industry. As the technical statistician would say, they have combined two obviously different groups of data into a single body of non-homogeneous material, with the result that averages computed therefrom are at best difficult to interpret and have a seriously impaired significance.

It is fair to remark at this point that the purpose of the authors' analysis can have a decisive bearing upon the combining of public utilities with other corporations in the statistical inquiry. It might be contended, for example, that if the purpose of the analysis is exclusively to show the effect of corporate organization and its development upon the holding of property by investors, the fact that such concentration as exists is predominantly in the public utility field is not an essential objection to the argument or findings. Even on this view of the purpose of the analysis, I am not ready to admit that separate treatment of the

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some examination of the financial units is not needed in studying concentration. Actually some mention is made of the group, as (at p. 36): "The extension of chain, group, and branch banking tends to concentrate the banking resources into larger aggregates which are better able to assist the further expansion of the huge companies." Attention may be directed also to the inclusion of one company, among the authors' 200, which quite probably is classified in the "finance" group in the income-tax statistics.

[6] Note is taken, to be sure, of the peculiarly rapid growth of concentration in the public utility field—for example, pages 23 and 24 of "*Review* article," and page 33 of *Modern Corporation.* But in the actual analysis of their data, the authors make no distinction such as would be suggested by the economic peculiarities of public utility enterprises; and I have found no place where they have noted that concentration in such enterprises should be expected as a matter of course. (See, however, pages 12-13 and 17 of *Modern Corporation.*)

public utilities can properly be ignored. Furthermore, if such is the exclusive purpose of the analysis, the authors should make it unmistakably clear; and they should refrain from using the analysis, directly or by implication, for other purposes. If it were not very difficult to see just how Chapter 3 fits into the main theme of the volume by Berle and Means, it might be inferred that the purpose of the analysis was as suggested above; but their own concluding remarks (pages 45-46, *Modern Corporation*) clearly indicate that they intend the analysis also for other purposes. And, so far as the "*Review* article" treatment is concerned, the main theme of the subsequently-published book cannot be adduced as a basis for inference as to the purpose of the analysis. I remain therefore of opinion that the authors' failure to classify is a basic flaw in their statistical inquiry.

In order to bring out the importance of the railroads and other public utilities in the problem, I have added separately the stated gross assets of those corporations among the "200 largest" given in Table I (beginning at page 19 of *Modern Corporation*), listed as *public utilities*, *railroads*, and *traction*. The aggregate gross assets for these three groups are, respectively, 24,368, 24,952, and 1,399 million dollars. This gives a total of 50,719 million dollars for the three public utility groups combined.[7] As the entire list of the 200 largest corporations had aggregate stated gross assets of 81,074 million dollars, it is seen that the public utility corporations comprised much more than half of the total, and that only 30,355 million dollars of gross assets applied to general industrial corporations.

A similar examination of the income-tax data for corporations in general would show results which differ considerably in degree, but not in substance, from the above: among non-financial corporations the public utilities constitute a very important fraction of the total. Accordingly, since there is a natural tendency toward concentration in such enterprises, the inclusion of public utility corporations indiscriminately in the non-financial lists is not warranted. This point has such great bearing upon the authors' analyses that I have presumed to reconstruct certain of those analyses along the lines which they would take if the public utility corporations were excluded and the other non-financial corporations studied separately.

The authors show that the combined assets of their 200 largest companies constituted "49.2 per cent or nearly half" of the total assets ($165,000,000,000) of all non-financial corporations at the beginning of 1930. The question naturally arises as to the percentages controlled

[7] I have not included in the public utility groups the two corporations which the authors classify as *transportation*. This seems to be in accord with their own ideas, as reflected in their count of "42 railroads, 52 public utilities, and 106 industrials" at page 28 of *Modern Corporation*.

by the 106 industrials (with aggregate gross assets of $30,355,000,000) in the limited list of all non-financial corporations with which they should be compared. This limited list obviously excludes railroads and other public utilities.

In order to reconstruct the analyses along the lines used by the authors, I applied to the data as published in *Statistics of Income* certain adjustments, which are explained in the "*Review* article."[8] There is no difficulty in reproducing their 1927 result; but, although *Modern Corporation* states that the 1929 calculation was made "according to the method" described for 1927, I was confused by the fact that the authors give indications elsewhere that one of the adjustments (division by 99 per cent to allow for incomplete tabulation of balance sheets) was certainly altered for 1928 and presumably should have been similarly altered for 1929. Hence, my 1929 result differs from that which they publish, which appears to have been obtained without altering the 1927 percentage adjustment—I mention this point because it is sharply revealing as regards the thoroughness with which the authors have in fact built their statistical argument and the completeness with which the case is in fact laid before the critical reader.

Estimate for industrials alone. We turn next to a consideration of the effect of the inclusion of the public utilities on the indicated share of total non-financial corporate wealth controlled by the 200 largest corporations. The authors report this share as 44, 45.5, and 49.2 per cent, for 1927, 1928, and 1929, respectively. We have noted above that a large fraction of the aggregate gross assets of the 200 largest companies was reported for the three classes of public utilities. We propose now to carry out similar calculations *excluding* the public utilities: to find the share of all corporate wealth, other than that of financial and public utility (including railroad) companies, which belongs to the 106 largest industrials. This analysis will be confined to 1929, and appears in Table I herewith. It yields an estimate of 100.9 billion dollars for the total assets of all corporations other than financial and public utility; but, as explained below, this estimate is probably not as trustworthy as those for all non-financial corporations. Using the estimate as found, and taking the figure 30,355 million dollars given above for the stated gross assets of 106 largest industrials, we have 30 per cent as the share controlled by them in 1929.

It appears then that, if we exclude the public utilities, in which there is a well-known tendency toward large-scale operation and monopoly, we find the giant corporations controlling in 1929 only an estimated 30 per cent of the total assets. This is admittedly a large share; but it is surely less sensationally large than the "nearly half" reported by the

[8] Pages 15 and 16.

authors, on the basis of their estimate which made no separation of the public utilities. I submit that the decisive difference between 49.2 and

TABLE I

ESTIMATE OF TOTAL GROSS ASSETS FOR ALL NON-FINANCIAL CORPORATIONS, EXCLUDING PUBLIC UTILITIES, AT THE END OF 1929[1]

(1)	Total assets	117.26
(2)	Divisor, for first adjustment	.99
(3)	Adjusted figure, (1)/(2)	118.45
(4)	Dividends paid	4.50005
(5)	Dividends received	.78889
(6)	Ratio per cent, (5)/(4)	17.5
(7)	Book stocks	53.445
(8)	Same owned in group, (7)×(6)	9.35
(9)	Interest received	.7331
(10)	Cash, including deposits	6.2664
(11)	Interest on (10), at 3 per cent	.1880
(12)	Net interest received, (9)-(11)	.5451
(13)	3/4 of same, (12)×3/4	.4089
(14)	Capitalized at 5 per cent, (13)/.05	8.18
(15)	Estimated assets, (3)-(8)-(14)	100.92

[1] Unit: for all items except those stated in per cent, one billion dollars. Items (1), (4), (5), (7), (9), (10), are compiled from *Statistics of Income*, 1929, pages 267–71 and 332–33.

30, resulting from this single, elementary, and obvious refinement of the authors' statistical treatment, warrants an insistent challenge of the trustworthiness of every phase of their statistical argument.

There are certain important weaknesses in my estimate for the industrial corporations.[9] My use of 99 per cent as the first adjustment—it is with reference to this figure that I was confused in making the non-financial estimate for 1929—may not be warranted for the industrials.[10] Although no data were found for testing this figure for the industrials,[11] it is improbable that use of a more appropriate figure would seriously alter the discrepancy between 30 and 49.2, and such figure would probably *increase* the discrepancy. I see no reason to believe that appropriate changes in the other adjustment factors, if they were possible, would

[9] I use the term "industrial" to represent corporations not in the three public utility classes (listed above, p. 72) or the financial class.

[10] I have used 99, instead of the 97 which I believe should (on their basis) have been used for all the 1929 estimates, because (see above, p. 74) the authors appear to have used 99 in making their 1929 estimate of total assets.

[11] Data available for 1927 (pages 380 and 383 of *Statistics of Income*) show however that approximately the same relative coverage of balance sheets exists for the industrials as for all non-financial corporations. General question might be raised against making the adjustment of total assets by a proportionate allowance based upon the *number* of returns filed, as there may be very poor correlation between assets and mere number of corporations, in the various size classes. But no other basis is available for the adjustment, and this percentage allowance is perhaps a workable makeshift. This should not be construed as an endorsement of the authors' method of arriving at their 99 per cent for 1927—my belief is that they have failed to take due account of under-reporting of balance sheets by deficit and small-net-income corporations.

be more likely to reduce than to increase the discrepancy. We are, of course, not justified, when making the stock-ownership adjustment, in assuming that non-industrial stock held by industrials is negligible.[12] Here the use of a correct adjustment, if it were possible, would tend to increase the discrepancy. I conclude that, whatever the weaknesses of my estimate, the discrepancy is at least as great as the difference between 30 and 49.2.

Coverage of specific industrial groups. The authors hold (*Modern Corporation,* page 44) that the huge corporation "has come to dominate most major industries if not all industry in the United States." It is less easy to examine the relative degree of control of assets by these giant corporations in specific industrial classes besides public utilities. The chief reason for this is that the method of classification used by the authors (pages 19-24 of *Modern Corporation*) does not accord precisely, or in some cases even approximately, with that used in *Statistics of*

TABLE II

ROUGH COMPARISON OF GIANT CORPORATIONS WITH ALL CORPORATIONS, BY SELECTED INDUSTRIAL GROUPS[1]

	Gross assets, giant corporations (million dollars)	Total assets, all corporations as tabulated (million dollars)	Percentage, (1)/(2)
	(1)	(2)	(3)
Chemicals	9771	14031	70
Food products, drugs, tobacco, etc.	2596	9800	26
Glass	102	2393	4
Leather	111	1198	9
Lumber	116	3672	3
Mercantile	1415	21842	6
Paper	894	2573	35
Rubber	876	1422	62
Textiles	114	6623	2
Non-financial[2]	81074	195054	42
Same, excluding public utilities[2]	30355	117262	26

[1] Data for end of 1929 or beginning of 1930. Names in stubs are from *Modern Corporation,* pages 19–23; corresponding stubs in *Statistics of Income* (1929, page 332) are somewhat different, but will be obvious by reference thereto.
[2] On a different basis from Table I: see text herewith.

Income (1929 issue, page 332). A second reason is that, for the smaller and more specific industrial classes, the sort of adjustments shown above in Table I cannot effectively be made. It is possible however to inquire into the apparent degree of control in a selected list of classes, understanding that the estimate of total assets in these cases is not adjusted.[13]

[12] The authors, in their estimate for non-financial corporations make—I believe correctly—the corresponding assumption. See "*Review* article," page 15, footnote 13.

[13] The application of the adjustments, if they were possible, would probably raise

Table II gives the essential data for the selected list of classes. It will be understood that, even for these classes, it is impossible to have a perfect match between the specification of the class as given by the authors and the specification used in *Statistics of Income*.[14] It does not appear possible to secure a basis of comparison for the authors' classes *metal products* and *metals*, because there is even less possibility than in the case of *chemicals* of ascertaining how much of their *metals* class is truly *manufacturing* and how much *mining and quarrying* in the sense of *Statistics of Income*. The selected list appears necessarily confined to nine classes.

It is clear from the table that, in so far as these crude and unadjusted comparisons are valid, the "concentration of economic power" in giant corporations is not a general characteristic of all types of industry. Five of the nine classes exhibited have indicated percentages of control below 10. Among these five classes we find the large *mercantile* class (see *Modern Corporation*, pages 15-17), which, on the basis of data for all corporations tabulated, holds over 10 per cent of the non-financial assets. We find also, in the manufacturing field, the important *textiles* class (see *Modern Corporation*, page 12)—one of the four leading classes in the manufacture division, according to the basis of classification in *Statistics of Income*.[15] Concentration is about average (in terms of the figures after the exclusion of public utilities) for the *paper* class and for the *food products, drugs, tobacco, etc.*, class; and is very much above average for *rubber* and for *chemicals*. The classes shown in Table II omit *metal products* in the manufacturing field; and there is little doubt that, if we were able to make a corresponding comparison for this class, a fairly high percentage of control would be indicated. In the mining field we have also no representative in Table II; and here likewise, if we could carry through the comparison, we might find a considerable degree of concentration (see *Modern Corporation*, pages 13-14). This probability

somewhat the indicated percentage of control, although the adjustment to allow for incomplete tabulation would tend in the reverse direction. Such increase would modify moderately the conclusions if we did not make a corresponding unadjusted estimate of control for the industrial group as a whole. I am therefore including in Table II a percentage estimate for the industrial group as a whole, using the actual figure—without adjustments—for total assets in the denominator.

[14] This is particularly troublesome in the *chemicals* class—the petroleum companies, which constitute a large part of this class, are classified under the one head by the authors; but such companies would be classified in *Statistics of Income* as *mining and quarrying* or *manufacturing*, according to the position of particular companies as producers of crude petroleum or as refiners. Since most of the petroleum companies in the authors' list of giant corporations appear to be predominantly refiners and distributors, I have restricted the comparison to the *manufacturing* group (called *chemicals and allied substances*) of *Statistics of Income*.

[15] W. L. Crum, *Quarterly Journal of Economics*, May, 1933, Chart 6, page 430. It will be noted that the comparisons of this chart are based upon gross income, rather than total assets; but the indications are probably not seriously different.

is not so clear, however, as in the case of *metal products*, because a good portion of mining enterprise, in cases where concentration exists, is actually covered into manufacturing since the consolidated organizations tend to be predominantly engaged in manufacture.

Even when we make generous allowances for a high degree of concentration in those classes of industry which we could not include in Table II, it remains clear that in the great mercantile field, and in several important branches of the great manufacture field, the indicated degree of concentration is so much lower than the "nearly half," obtained by the authors as their average figure, that it can almost be neglected. Study of the figures from this point of view, with all appropriate qualifications because of the imperfect matching of the data for the giant corporations with the *Statistics of Income* data and because of the crude and unadjusted estimates used, indicates that the dominance of the giant corporations is a specialized condition. It pertains peculiarly to particular types of activity, such as the *chemical*, *rubber*, and possibly *paper* and *food* classes. If the comparisons could be worked out, we should find also that it pertains to the *metal products* class, and possibly to certain classes of mineral extraction. We have already noted above that there are peculiar conditions tending to produce concentration in the public utility field, and it is quite possible that we might also find conditions specially favoring concentration in the particular fields showing a high percentage in Table II.

Concentration in Terms of Net Income

The authors have used, in their appraisal of the degree of concentration of economic power, two estimates of corporate wealth, gross assets and net earnings.[16]

Large corporations having net deficits. A first general objection to the authors' estimate in terms of net income relates to their apparent assumption that all giant corporations show net incomes—that none shows net deficit.[17] The authors base their calculation of percentage control, in terms of income, exclusively on companies which report net income.[18] There can be no question that some corporations report large deficits: among non-financial corporations, there were 15 reporting net deficits of 5 million dollars or more in 1927, 8 in 1928, and 12 in 1929.[19]

[16] "*Review* article," page 11. Some of the assertions there made strike me as seriously open to question.

[17] To be sure, the authors recognize the existence of the corporations reporting net deficits ("*Review* article," page 12, footnote 6); but I do not find that they have at any place in their actual analysis considered the possibility that one of the giant corporations might be in the net deficit class.

[18] "*Review* article," Table III, page 18; *Modern Corporation*, Table IV, page 37.

[19] Pages 19 and 370 of the 1927 *Statistics of Income*, 30 and 379 for 1928, 24 and 331 for 1929.

Can there be any doubt that at least some of these are "giant corporations"? Are we to suppose that a huge deficit can be run by any but a huge corporation?

That the authors did not regard the fact that a particular company had a deficit as disqualifying it for inclusion in the list of giants is clear from a study of the list they give for the giants (pages 19-24, *Modern Corporation*). Although I have not succeeded in making a complete identification of these 200 companies in the 1930 *Moody's Manuals*, many of them could be identified by their names and checked by their stated gross assets. Among these were found 8 reporting deficits for 1929, and the largest of these deficits ran to 6.2 million dollars.[20] This fact alone, if the authors informed themselves concerning it, should have warned against treating net income and gross assets as alternative estimates of corporate size.

If we had a classification of all corporations according to size of gross assets—with the aggregate amount of net income and, separately, the aggregate amount of net deficit reported for each size class—we could know with some precision the capacity of giant corporations (in terms of assets) to earn a deficit. Better still, for this purpose, would be a correlation table classifying corporations according to *both* assets and income (the latter ranging over the negative scale of deficits as well as the positive scale of net incomes). Such a correlation table, and statistical devices derivable from it, would presumably show whether and approximately to what extent size of gross assets is associated with size of income (including deficit as negative income). Neither of these two tabulations is at present available for all corporations. The nearest we can come is in a published tabulation which classifies corporations as to size of income, and states for each size class the aggregate amount of assets.[21]

We have therefore *some* information concerning the relation of assets to deficits, as well as to net incomes, for all ("all" tabulated in the "assets and liabilities" tables of *Statistics of Income*) corporations. Unfortunately it is not possible to exclude the financial class at this point: the 1926 issue tabulated assets by size of net income for each major industrial group (pages 360-400) but, as we have seen, did not subdivide the deficit class as a whole; in the later issues, which *do* subdivide the deficit class, the details by industrial groups are *not* given. We have therefore only the single classification for all branches of industry

[20] We note, of course, that deficit need not have the same definition for manual, as for income-tax, purposes. It is doubtful, however, if wide differences prevail in *all* the cases found.

[21] Pages 360-400, 1926 issue of *Statistics of Income;* 386, 1928 issue; 338, 1929 issue. The 1927 issue gave the *number* of balance-sheet returns in each income class, but *not* the aggregate assets.

combined (for example, page 338, 1929 issue); but it is unlikely that the results we shall find can be charged wholly, or even mainly, to the mingling of financial with other corporations in this tabulation.

What do we find? Using only the 1929 *Statistics of Income* (page 338), we have, in the class showing deficits of 5 million dollars and over, 21 corporations (balance-sheet returns) with aggregate stated total assets of 1,939 million dollars. This means average total assets of 92 million dollars. If all 21 were of exactly the same size they all would be just large enough to be classed as "giants" according to the authors' definition. Of course, not all are of the same size, and some *may* be quite small; but, the smaller these are, the larger the others among the 21 must be (on the average) in order to have the average total assets sustained at 92 million dollars. At least some of the 21 are then "giants," and very likely the "some" must be read as "a large share." Study of the next smaller deficit class, one million to 5 million dollars, shows 228 corporations with average total assets of 35 million dollars. In this class, *unless* all are of about the same size (a condition which is even less probable than the corresponding condition for the class considered above), it is possible that at least some are "giants." For, in so far as a considerable number of the 228 have assets well below the average of 35 million dollars, there must be another or others with assets above the average.

It is then highly probable that the large-deficit classes of 1929 include some corporations in the "giant" class according to total assets.[22] It is thus fairly clear that a test of economic concentration in terms of income, which takes no account of the deficit corporations, cannot be comparable with or confirmatory of another test in terms of assets. Perhaps the authors were aware of this in writing—concerning the percentage estimate of concentration, as derived from the net-income study—"This figure would therefore tend to give support to the figure derived on the basis of gross assets" (*Modern Corporation*, page 30). But the ordinary reader is likely to miss the point of a modest statement of this sort in the midst of a bulky mass of statistical evidence which bears on its face the earmarks of scientific thoroughness.

If the authors were aware of the difficulty presented by the deficit corporations, may it not be suggested that they should have laid the matter before the reader at length? Actually they seem to define "net income of *all* non-financial corporations" (italics are mine) as "statutory net income of all corporations reporting net income less that of financial corporations reporting net income."[23] Let it be noted that they are con-

[22] In the above reckoning, we are forced to use unadjusted asset figures; but, for the present purpose, the extra precision afforded by the authors' adjustments is not needed. Such precision would not perceptibly lessen the force of the above argument.

[23] *Modern Corporation*, page 37; "*Review* article," page 18.

sistent: they do not use the difference between net income and deficit for their denominator ("all" corporations), and merely the net income for the numerator (giants), in calculating their concentration percentage. They are not guilty of so obvious a blunder, which would have raised greatly the indicated percentage of control.

They are thus careful to maintain formal consistency between numerator and denominator. It is not on the question of *consistency* that objection is raised: it is on the use of the net-income corporations as a representative sample, at least by implication, of all corporations. This sample is even designated "all" (strictly, "all non-financial") by the authors, in this connection. We are to believe that a percentage index of concentration, based upon income data for this sample, is evidence in confirmation of a similar index based upon total assets data for a different, and surely more comprehensive, sample. I hold that the reader needs evidence of the representativeness of the net-income class as a sample, that no such evidence is presented by the authors, and that no such evidence in statistical terms can be obtained from the published data on all corporations available when *Modern Corporation* appeared. This is not to say that the sample *may* not be representative, or that the percentage based upon it *may* not be a correct estimate of concentration: the point is that a statistical analysis which merely has a *chance* of being sound does not constitute a scientific proof.

Special consideration of the industrials. In spite of the apparent futility of estimating the degree of concentration from income data, it seems well to refer briefly to certain points in the estimate as actually made by the authors. The first such point is their inclusion here also of the public utilities along with other corporations. The same objections to this practice hold here as were presented above. Let us see what effect the practice has on the indicated degree of concentration—for this purpose, we can waive the criticism of the restriction of the analysis to net-income corporations.[24] The authors find, as the percentage of all net income received by the 200 largest net-income corporations (non-financial), 38.4, 40.4, and 43.2, for the years 1927, 1928, and 1929, respectively.[25]

We saw above that, corresponding to the 200 largest non-financial corporations, in 1929 there were 106 largest "industrials." We seek now concentration percentages showing the share of aggregate statutory net income of all net-income corporations, other than financial and public utility, which goes to the 106 "largest." For this purpose, we

[24] Strictly, it should not be waived; for the two questions *may* not be entirely independent, because of a possible greater stability in public-utility earnings.

[25] *Modern Corporation*, page 87.

define and estimate "largest" as nearly as possible in the same terms used by the authors for their 200 largest. The resulting percentages 28.4, 31.4, and 34.4 are sharply below those found by the authors. Once more we secure results which point toward a loading of the authors' concentration estimates by their inclusion of public utilities.

In calculating these percentages it turned out that the number of corporations in the highest net-income class in 1927 was precisely 106, and therefore no estimate of the aggregate net income of the 106 largest companies was necessary for 1927.[26] For the other two years, the estimate involved in each case the subtracting of a figure from the stated aggregate net income in the highest class, because that class included more than 106 units. The amount to be deducted, in each of these two years, was obtained by assuming that the number of corporations in the highest class in excess of 106 had each a net income of 5 million dollars. This presumably overstates my concentration percentages, but it is not clear whether the discrepancy between my results and theirs should be raised or lowered.

Miscellaneous Observations

In addition to the main points which I have made above, careful reading of the "*Review* article" and the *Modern Corporation* chapter suggests several minor points upon which some comment can appropriately be made.

The first of these miscellaneous observations relates to the estimate of *growth* of corporate wealth, specifically as a means of showing such growth greater for the large corporations than for all (non-financial) corporations. I will not dwell at length again upon the need of distinguishing between public utilities and other non-financial corporations. It is worth noting, however, that the authors observed at this point striking differences in the rates of growth as among the different classes.[27] How could they have overlooked the significance of these sharp distinctions for their estimate of concentration percentages? And why, in view of their Table II (*Modern Corporation*, page 34), did they fail to break down their Table III (page 36) to show the industrials separately? Did they fail to recognize the difficulty, or did they determine —and on what ground—that a break-down was impossible or was not worth analysis and discussion?

[26] It is of course a mere accident that the highest class had precisely 106 units in 1927. This accidental fact perhaps is an emphatic reminder that the class receiving the highest net income is not necessarily coincident with the class of largest corporations. The largest corporations can, as we have seen, have net incomes ranging anywhere from large deficits to large positive income.

[27] "*Review* article," pages 23-24; *Modern Corporation*, pages 33-34.

A more special question here (in the growth analysis) relates to the adoption of a new measure of wealth. Because "no accurate" gross assets data for all non-financial corporations are available over a sufficiently long period to measure growth, the authors use a special measure —including "cash, inventory, land, buildings, and equipment."[28] May it not fairly be suggested that they should at the same time have substituted this special measure for gross assets in estimating growth for the 200 corporations? In fact, they estimate growth for the 200 giants on the basis of gross assets, and for all non-financial corporations on the basis of the special measure. I do not find that they present any evidence that the difference in rate of growth is not due merely or largely to this difference in the type of measure used. Such evidence, if statistical, might be expected to take the form of (1) a general study, of the correlation type, into the relation between gross assets and the special list of assets specified above (footnote 28), or (2) a systematic test of the growth of the 200 giants according to the special measure. No general data exist as yet for an analysis of the first sort. The authors appear to present no analysis of the second sort; nor do they make clear whether they realize it is desirable, whether it could be carried out, and—if it could be—why it was not carried out.

A second point worthy of brief attention concerns the "relative unimportance of the medium-sized corporation."[29] This is essentially a question of definition. Given a "population" of corporations of different sizes, the statistician could (if individual data on size were available) classify the corporations into a frequency series. He could then take slices of that frequency distribution; and, if he chose to "slice" at $30,000,000, $50,000,000, and $100,000,000 (assuming size to be measured in terms of assets in dollars), he *might* find that the "slice" between 50 millions and 100 millions had small aggregate assets as compared to the slice above 100 millions. Does this finding mean anything, beyond the fact that the selection of a point at which to slice constitutes an act of definition? Of course, custom might have established definitions to be generally accepted in such cases; but the authors do not indicate this to be the case with reference to "medium-sized corporations," and they quite obviously feel free to set up a definition of "giant corporation."

Is there a statistical basis for determining, apart from personal discretion in the matter of definition, the relative importance of a middle group of corporations? The technical statistician would answer in terms of the frequency distribution of corporations according to amount of assets, but the essential data for constructing this distribution are not

[28] *Modern Corporation*, pages 34-35.
[29] *Ibid.*, page 28.

available. This lack cannot be remedied by any process of definition of broad size groups, however reasonable such definitions may appear on their face.

There are numerous minor matters on which a technical statistician might wish to raise queries, such as: the reasons for calling the week of March 9, 1929 "typical" ("*Review* article," page 12); the reason for describing a growth from 6 billion to 15 billion as "two and one-half times" ("*Review* article," page 24); the wisdom of prolonging the trend of the corporate percentage in manufacturing output (*Modern Corporation*, page 39); the failure to make allowance for assets of certain "inactive" corporations covered in the *Statistics of Income*, in setting up the comparison on the basis of gross assets; and the questionable selections of denominators used in calculating income and gross assets for the "average non-financial corporation" in 1927 ("*Review* article," pages 11-12). But none of these minor matters takes rank with those discussed in detail above.

Conclusion

With the statistical foundation of the authors' findings I take issue at numerous points, some of them decisively important. In particular, and chiefly, I hold that: (1) by failing to treat important classes of corporations (especially public utilities) separately, they have obtained a misleading estimate of the existing degree of concentration; (2) by neglecting the corporations reporting deficits, they have presented an analysis in terms of net income which is not pertinent to the main issue; and (3) by using inconsistent measures of growth, they have failed to demonstrate statistically that there is a large differential rate of growth as between giant and other corporations.

It is true that they have frequently introduced reserved statements about the trustworthiness of some of their operations and results, and that they have at various points introduced qualifying remarks which might protect the reader from some dangerous inferences. But I submit that the presentation in general, perhaps especially in *Modern Corporation*, has a tone of confident finality and is ostensibly supported by such an elaborate statistical argument that the reader may readily accept the findings *and* easily believe that the findings have been demonstrated conclusively by statistics. For this reason I feel that all of the more restrained sentences and phrases fail to offset the convincing impact of the presentation as a whole. For this reason I challenge most vigorously the statistical argument, and assert that it is unsound.

W. L. Crum

Harvard University

A Reply by Gardiner C. Means

According to figures which I have published, 200 corporations controlled nearly half of all non-financial corporate wealth in the United States at the end of 1929. Estimates made on precisely the same basis indicate that, by the end of 1931, 200 corporations controlled approximately 55 per cent of all non-financial corporate wealth. If these figures are approximately correct, they are of primary significance with respect to the character of the American economy. They would seem to indicate a major concentration of economic power. Professor Crum, in making his criticisms, is well justified in saying that it is the duty of qualified workers in the field to examine the evidence which I present in support of these conclusions. At the same time, it is the duty of such workers to indicate clearly at what points in the statistical argument they find a flaw. Unfortunately, Professor Crum has failed to outline the statistical argument which he attacks or to indicate the precise issue between us.

First, it must be made clear that Professor Crum is in no way questioning my statistical finding that nearly half of the wealth of non-financial corporations was controlled by 200 corporations at the end of 1929. He questions this no more than I question his finding that 106 corporations controlled approximately 30 per cent of the wealth of all corporations other than financial companies, railroads and other public utilities.[1]

In spite of such suggestive phrases as "statistical proofs should not be utilized in a careless way, or in a way likely to give the unwary reader a misleading impression of the quantitative inevitableness of the conclusions presented," "an instant challenge of the trustworthiness of every phase of their statistical argument," etc., Professor Crum, in his main argument, is claiming only that the above figure of "nearly half" may give a false *impression* of the degree of concentration in the American economy because the railroads and other public utilities are included together with unregulated industry. The essence of his argument is contained in his statement that ". . . in the inclusion of railroads and other public utilities indiscriminately in their lists of non-financial corporations, the authors have laid the basis for misleading inferences concerning the degree of concentration in industry." This would seem to be in no way a reflection upon the statistical findings nor upon the conclusions as to the degree of concentration. Rather, it seems to maintain only that the figure might mislead many individuals as to the degree of corporate concentration actually existing.

In his argument there seems to be confusion between a percentage figure representing an average condition and a percentage figure reporting an aggregate condition. This may not be altogether clear to the casual reader. Careful reading will indicate that Professor Crum is treating the "nearly half" figure as purporting to be an average condition. Thus, he refers to it as an average and presents figures to show that in an important number of industries very much less than half of the assets in the industry are held by large corporations. The fact that he is regarding my figure as an average has been brought out in correspondence with him in which he says, "The point I make is that your result is based on a statistical aggregate which is dominated by special groups

[1] As Professor Crum suggests, his figure of 30 per cent "is probably not as trustworthy" for what it purports to represent as the figure of 49.2 per cent which I have published and which, of course purports to represent an essentially different thing.

to such an extent that averages or ratios calculated from your aggregate are not typical. This means not only that they are not typical of the constituents of your aggregate individually, but it means, also, that they are not reliable measures of the aggregate as a whole. This, I say once more, is the vital statistical point." One would, of course, agree with Professor Crum to the obvious fact that because half of non-financial corporate wealth is held by 200 corporations, this does not mean that in each industry half of corporate wealth is held by a few large companies. But when he questions whether the above statement is a reliable measure of the aggregate as a whole, I must admit that I fail to follow his reasoning. If one is considering the present condition of the whole economy and the importance of the big corporations therein, it seems clear that one must accept the "nearly half" not only as a correct statement of fact, but as accurately reporting the existing degree of concentration.

The only reason which Professor Crum actually advances for the exclusion of public utilities, is that their inclusion involves the combination of "two obviously different groups of data into a single body of non-homogeneous material." Professor Crum clearly indicates that the two groups of data are not "obviously different" since he admits that for a certain purpose, namely, the major purpose for which they are employed in *The Modern Corporation,* they are properly considered as homogeneous. Likewise, he indicates no purposes for which they would be non-homogeneous—though presumably such may exist. Neither does he indicate specifically that I have used the figures for any purposes for which they were not homogeneous. His whole case would seem to rest on his assertion that the materials are "obviously different."

Underlying Professor Crum's criticism there appears a curiously parochial attitude which seems to exist among many economists who follow the path of the classical tradition. He treats the industries in which concentration has carried far as "special cases." Thus, he refers to the fact that "conditions peculiar to the public utility field act powerfully to bring about large-scale operations and even monopoly in that field," and "by failing to treat important classes of corporations (especially public utilities) separately they have obtained misleading estimates of the existing degree of concentration." Inherent in his analysis is the idea that concentrated industries are abnormal.

In the light of history, this attitude is quite understandable. During the last century and a half it has been customary for the economist to describe competitive conditions as normal, and any conditions which did not follow the classical competitive pattern have been treated as special cases. In this manner economists have been teaching competitive economic theory and have somewhat as an after-thought added a lecture or a chapter or two on regulated or concentrated areas with perhaps a course or two covering specifically the study of trusts or public utilities. Unfortunately, economic development has played an outrageous trick upon this body of economic traditionalists. Concentration has been carried to the point where these special cases have come to play the major rôle. For instance, Professor Crum accepts the presence of an extensive degree of concentration in the following fields: railroads, other public utilities, metal production, mining, chemicals, rubber, paper and foods. These "special cases" include more than 75 per cent of the assets of all non-financial corporations. Less than 25 per cent of corporate industry would thus fall into the traditional economic pattern. Perhaps the time has come when we should treat industry in which concentration has *not* taken place as a "special case." Can we understand the actual operations of our modern

economy if we describe it as showing the workings of the free competitive system and then add a few special cases which include such a large part of the whole? Viewed in terms of the broad scope of the whole American economy it would seem that few could question the relevance to economic analysis of the fact that half of non-financial corporate wealth was held by 200 corporations in 1929 or the still more spectacular fact that at the end of 1931, 200 companies controlled 55 per cent of non-financial corporate wealth.

Minor Criticisms

The remaining criticisms made by Professor Crum are of secondary significance—in certain cases involving misreading of the text, and in others having little effect on the conclusions which I presented. Thus Professor Crum's extensive analysis of the degree of concentration in separate industries, though instructive, would not seem to involve criticism of my findings or analysis. If he had simply suggested that in addition to the over-all figure of concentration, which I gave, it would have been desirable to publish also figures indicating the concentration in different industries, I should be fully in sympathy. I did make the effort to get such figures but they seemed so much more subject to error than the over-all figure that I did not publish them. Partly as a result of Professor Crum's own efforts, the statistics of income for 1931 have been so compiled that it will be possible to make estimates that are reasonably reliable for different industries as soon as these figures are published.

When Professor Crum asserts that in dealing with figures of net income I have made "the assumption that all giant corporations show net income—that none show net deficit," he is simply misinterpreting statements in *The Modern Corporation*. No such assumption was made. His assertion stands unsupported and his three-page proof of the obvious fact that some large corporations suffer losses is irrelevant.

Actually I used the figures based on net income in part to support the conclusion reached on a basis of assets—namely, that a high degree of corporate concentration existed—and in part to avoid the difficulty involved in the fact that no statistics were available which corresponded to any precise and generally accepted definition of wealth. There could be much disagreement as to whether capitalized income or assets most nearly corresponded to the generally accepted definition of wealth.

In the discussion of figures of net income Professor Crum does raise one point that is worthy of serious discussion. Should one, in determining the degree of concentration, compare the net income of the 200 companies reporting largest net income with the net income of all corporations reporting income, or should one make the comparison on some other basis as, for instance, between the net income of the 200 largest corporations reporting net income less the deficit of the 200 corporations reporting largest deficit with the net income of income-reporting corporations less the deficit of those reporting no income. Various comparisons could logically be made. I have worked out those which seemed most sound, and in every case the degree of concentration shown was greater than that which I reported. It would thus seem that if the comparison which I made and which I believed to be sound was an inappropriate comparison, the figure which I arrived at was actually a conservative estimate of the degree of concentration as measured on the basis of income figures.

In Professor Crum's criticism that I have used inconsistent measures of growth, he has not shown that the measures are inconsistent but only that I have not proved that they are consistent. I quite agree with him that figures should have been included in the book to show their consistency. At the time I worked out figures which showed that the two series were reasonably consistent for the periods for which I had information. Figures which have since become available have tended to strengthen the conclusion that the series are reasonably consistent. I am subject to a very real criticism in that I did not present the evidence in *The Modern Corporation* and did not discuss the need for such evidence.

In conclusion, then, one must simply reiterate the fact, which Professor Crum appears to accept, that 200 corporations controlled approximately half of all non-financial corporate wealth in 1929 (or 55 per cent at the end of 1931). This fact stands untouched by his criticism. It is up to the American community to decide on the relevance of this figure to American economic life.

A Rejoinder by W. L. Crum

After long correspondence with Dr. Means and the Managing Editor (mainly the latter), I had intended to refrain from issuing a rejoinder, but it is due the reader that some of the remarks in the *Reply* of Dr. Means receive appropriate notice.

It is by no means "clear" *to me* that I am "in no way questioning" his "statistical findings," to quote from the first point in the specific reply of Dr. Means. It is precisely the *statistical* finding which I primarily question, and nothing contained in the *Reply* inclines me to withdraw or soften my questioning.

I suppose it is idle to suggest that it is one of the duties of a scientific investigator to make at least a reasonable effort to prevent that misleading of "many individuals" which Dr. Means seems to consider with indifference.

In regard to the supposed distinction between "a percentage figure representing an average condition and a percentage figure reporting an aggregate condition," I had assumed that the elementary statistical principle involved was sufficiently known, but apparently further elaboration will be helpful. The ratio of two aggregates needs in many instances—and the present analysis is such an instance—to be viewed as an average, and criticized on the theoretical grounds appropriate for averages. Such instances are likely to arise, as in the present analysis, when the aggregates are made up of elements having distinctive group characteristics. The ratio is then in the nature of a weighted average of specific ratios applying to the specific groups, and the denominator aggregate is the sum of the group weights. In such instances the reader needs to know, and it is not unreasonable to expect the investigator to inform him, whether and to what extent the distinctive characteristics of the various groups bear upon the significance of the general ratio. My contention is that distinctive characteristics of the public utility group do thus bear upon the significance of the asset-aggregates in this analysis, and that the investigators omitted to take due note thereof in their presentation if not indeed in their investigation.

Dr. Means asserts that I admit that the public utility and other groups are, for the stated purpose, "properly considered as homogeneous"—I shall be dumfounded if any other reader can find such an *admission* in my para-

graph (page 71, beginning, "It is fair to remark . . .") relative to this point. I say in that paragraph "Even on this view of the purpose of the analysis, I am not ready to admit that separate treatment of the public utilities can properly be ignored."

As respects my "parochial attitude," my following "the path of the classical tradition," and my belonging to a "body of economic traditionalists," I am proud to confess that I regard many of the things which *were* as decidedly preferable to certain of the things which *are;* but I challenge Dr. Means and all others to disclose in my article herewith or in my other writings any evidence that I have allowed my preferences to interfere with my scientific appraisal of the facts. It will be well for advocates of the social revolution, before calling loudly for the interment of the older teachings of economic science (presumably along with those who did and do the teaching), to eschew pseudo-scientific methods.

Dr. Means did cover the point concerning "the assumption that all giant corporations . . . " in correspondence, and I then qualified the word "assumption" with the word "apparent," a less categorical and a more accurate adjective than I had used before. The reader will find this adjective in the text, although it seems to have been omitted from the *Reply;* and I leave it to the opinion of the reader who will trouble to read the treatment in *Modern Corporation,* whether there is in fact an "apparent assumption." As respects my "three-page proof," I am not aware that there was anything in the book or the article to show that the authors recognized, or thought that the reader ought to know, that this point is "obvious"—some readers might well prefer evidence to the doubtful compliment implied in assuming that all is obvious to them. And I am astonished to know that Dr. Means regards the proof as "irrelevant"—even so, I allow it to stand, and the reader can decide for himself.

I emphatically object to Dr. Means's "conclusion" that I "accept" his main point. I do nothing of the sort. It has not been my purpose to prove or disprove his main point—it *has* been my purpose to show that *he* (the authors) has *not* proved it *by statistics.* Whether I have succeeded can be determined by the reader.

COMMUNICATIONS

Review of "Permanently Curing Depressions": A Protest

I do not object to Professor Fraser's expressing any opinion he chooses.[1] But I do object to his drawing a false picture of this book, which he then criticizes as though it were the book. Some misrepresentations of fact are: "Mr. Reymond does not worry about the other possibility that the causal relationship is reversed, booms and depressions causing rises and falls in the price level." I pointed out that a boom *is* a speculative rise in prices; therefore it is mere quibbling to talk about which is cause and which is effect. I showed that the notion of a boom apart from a rise in prices is based upon looking at an inadequate index of prices, *e.g.*, the commodity price level in 1929 instead of the *general* price level.

"He does not trouble much about diagnosis but proceeds, as is usual with an amateur, to treat the symptoms." I showed that the *general* price level is more than a mere symptom; it is a reliable indicator of whether a boom or a depression is in the making. I proposed to use this index as one would use a pressure gauge on a steam boiler to tell when the drafts should be opened or closed. To accuse me of wanting to tamper with the steam gauge is incorrect.

"Unlike Mr. Keynes, our author does not worry about credit control. . . ." Everything in the book was directed at bringing credit money into control. I also brought out the fallacies in certain of Keynes's credit control theories.

"He condemns the gold standard as a cause of instability, without considering how far credit policy controls the value of gold, that is, the price level." Chapter 3 was wholly directed to showing the fallacy in all schemes to manage a gold standard through credit policy.

"Mr. Reymond should know that no price stabilization policy will work which does not directly aim at the control of bank credit, . . . " This is a misleading statement, because everything in the book was directed at the control of bank credit.

"Within the framework of an average of prices very real and serious maladjustments are possible, . . . " This argument is misleading by implication, because considered and answered in the book.

M. H. Reymond

Binghamton, New York

Comment on Review of Kirshman's "Principles of Investment"

The *American Economic Review* for December, 1933 (p. 732), carried a review of my book which in several respects is so unusual that a brief rejoinder would seem to be in order.

The book is said to be "voluminous." In a measure this is true of all advanced textbooks in investment and finance as well as in the general principles of economics. The present author, however, considered it an achievement to have reduced the material to 776 pages, in as much as similar works run from 840 to 1281 pages. If simpler textbooks are desired, they are already available. But this criticism seems to be inconsistent with later statements to the effect that Parts 3 and 4, although they form the "bulk" of the

[1] American Economic Review, Sept., 1933, p. 528.

volume, are too "condensed." Doubtless, they are also "tedious" to one of limited background in the field of finance. The author's problem was one of selection of material and analytical treatment so as to show trends—an approach which, if one must explain, is now recognized to be fundamentally sound. In view of this criticism one is again surprised to read that Part 5 is too "brief" and not "complete" or "adequate."

Part 1 is said to be "trite" and "uncritical" and the reviewer suggests that teachers might omit it entirely. More familiarity with investment problems would have saved the reviewer this naïve criticism.

Lastly, the reviewer objects to certain "dogmas" appearing in Part 5. But these so-called "dogmas" are accepted theory; and it would take more than a mere flout to dislodge them from the body of economic literature.

J. E. KIRSHMAN

University of Nebraska

"Applied Marxism in Soviet Russia": Comment

Mr. Tuckerman's analytical article on "Applied Marxism in Soviet Russia," appearing in the December, 1933, issue of the *Review*, contains several statements which indicate erroneous interpretation of Marxian political theory. On page 645 the author speaks of the final revolution in the U.S.S.R., according to Marxian view, laying the basis of the "classless State." Again, at the conclusion of the article, he uses the expression, "the classless Socialist State" (p. 649). Such statements reveal a misconception of the Marxian theory of the State.

According to Marx, when the classless society is achieved, the State as a political entity will have withered away. "The abolition of the State is only logical with the Communists as the inevitable result of the abolition of classes, for only then will there be no need for an organized power of one class to keep down the other." (From *Aus dem literarischen Nachlass* of Marx, vol. III, p. 442, as quoted by Chang, *The Marxian Theory of the State*, p. 59.) It is part of the Marxian interpretation that the political State is the product of irreconcilable class antagonisms, and that when these antagonisms cease to exist, the State as such will also have disappeared. To speak of a "classless Socialist State" is a distortion of Marxism.

Moreover, there is a mis-statement of fact in the assertion that "the industrial proletariat was informed that for at least five years from a half to three-fourths of the national income was to be re-invested in the heavy industries and in industries supplying agricultural machinery" (p. 645). The author exaggerates the capital investments provided for under the first five-year plan. The total of such investments, under the first five-year plan, was stated at 64.6 billion rubles, in prices of the respective years. This investment included estimates of capital expenditures for industry, electrification, transportation, agriculture, housing, and miscellaneous items. On the other hand, the first five-year plan estimated that the national income for the five-year period of the plan would be 175.1 billion rubles in terms of prices in the respective years. Thus it will be seen that the five-year plan provided for total capital expenditures of about 37 per cent of the estimated national income, and not for "from a half to three-fourths of the national income." (See *The Soviet Union Looks Ahead*, Horace Liveright, N.Y. 1929, p. 19 and p. 175.)

In the interest of accuracy of interpretation as well as of statement of fact I am submitting these notes on an article which in my opinion contains a great deal of stimulating analysis of applied Marxism.

KARL SCHOLZ

University of Pennsylvania

REPLY: The expression "the classless Socialist State" accurately describes (from the Marxian point of view) I believe, the current or about-to-be-arrived-at situation in the Soviet Union. The remnants of opposing classes have been, or are just about to be, "liquidated." Socialism, as distinct from "full Communism" (Lenin's expression) is established, but there remains and will remain need for the State. As Lenin has written: "For a certain time not only bourgeois rights, but even the bourgeois State remains under Communism, without the bourgeoisie!" (P. 228, Book II, Vol. XXI *Collected Works of V. I. Lenin,* International Publishers, New York, 1932. On all this see Chap. 5, *The Economic Base of the Withering Away of the State, op. cit.*)

In regard to capital investment during the first five-year plan it must be remembered that the various estimates were drastically changed during the course of the plan. As changes were made they were proclaimed far and wide by all the means of modern propaganda. Among the many careful investigators who support the fractions I stated in my article I refer to Michael Farbman's *Piatiletka: Russia's 5-Year Plan,* New Republic Inc., N.Y., 1931, p. 84, and to Walter Duranty's works in the *N. Y. Times Magazine,* April 17, 1932, p. 2, where he writes that "three-quarters of the national income (was) being devoted to producing the means of production."

GUSTAVUS TUCKERMAN, JR.

New York University

"The Banks, the States, and the Federal Government": Correction

Footnote 2 to the article in the December issue of the *Review* entitled "The Banks, the States, and the Federal Government" should be amended to say that previous to the suggestion by Mr. Owen D. Young, February 4, 1931, that commercial banking might be brought under federal control on the ground that it was a monetary function, substantially the same suggestion had been made by R. H. Lounsbury and C. O. Fisher in an article entitled "Two Dangers Threatening the Federal Reserve System," *South Atlantic Quarterly,* April, 1926; again by Professor Fisher in an article entitled "Federal Control of Commercial Banking: A Proposal," *Journal of Political Economy,* June, 1927; and by M. K. Graham in his presidential address before the Southwestern Political and Social Science Association, Dallas, Texas, April 18, 1930.

BRAY HAMMOND

General Works, Theory and Its History

Value Theory and Business Cycles. By HARLAN L. McCRACKEN. (New York: Falcon Press. 1933. Pp. xiii, 270. $4.00.)

The purpose of this book is to show how business cycles can be explained by value theory. Embodied value and commanded value are discussed separately. The systems of Ricardo, Sismondi, Marx, Law, Proudhon, Owen, and Kellogg are taken as representative of embodied value theory. The systems of Malthus, Tugan-Baranowsky, Aftalion, Foster and Catchings, Fisher, and Keynes are taken as representative of commanded value theory. It is brilliantly demonstrated that while embodied value theories can explain long-time trends, they cannot explain business cycles, while commanded value theories can explain the latter. McCracken shows conclusively that currency management schemes resting on a commanded value theory are far more logical than such schemes resting on an embodied value theory.

McCracken finds "Malthusian economics" (which has as its basis commanded value theory) to have four cardinal points. (1) Supply does not necessarily generate demand because value arises in exchange and not in production. (2) Money and credit used as a medium of exchange, as developed by Tugan-Baranowsky, make possible the generation of partial depressions into general depressions, *i.e.*, partial over-production into general over-production. (3) Aftalion has shown that the principle of diminishing utility gives a basis for explaining a voluntary failure of demand. (4) A demonstration that monetary instability makes for business instability. Under point (2) barter economy is taken as if a person exchanges the good he produces for only one other commodity. Although this may do little historical violence to the facts, it leads one to believe that the logical factor which makes possible the generation of partial over-production into general over-production is not a money economy as opposed to a barter economy, but the system of producing for a market as opposed to producing for private consumption.

In a third part of the book, McCracken discusses the problem of business equilibration. He shows that Proudhon's chemical theory of exchange has some significance when prices are relatively immobile. Tariff, war, and unstable money are listed as avoidable causes of instability. It is held that little is to be gained by depending on the working of automatic forces to carry us out of the present depression. It is clear that this part on business equilibration does not rest on the conclusions developed in the rest of the book. The conclusion that the end of currency management should be to keep money neutral, rather than to preserve the price level, reads quite differently from later acquiescence in the statement that

"the only sound money is stable money." The developed theory does not justify the contention that automatic recovery forces are not dependable in the present depression; in fact the argument presented is very one-sided and if placed alongside of many other well-known factors, it would read quite differently. However these dicta occupy a small part of the book.

An article on "Secular Trends and Business Cycles: A Classification of Theories" by Commons, McCracken and Zeuch, appearing in the 1922 volume of the *Review of Economic Statistics*, throws light on the genesis of McCracken's ideas.

ELMER C. BRATT

Lehigh University

NEW BOOKS

BERNARDELLI, H. *Die Grundlagen der ökonomischen Theorie.* (Tübingen: Mohr. 1933. Pp. iv, 100. RM. 3.60.)

Both in matter and in manner this introduction to the rudiments of economic theory is German. The content is interlarded with observations on methodology, and reflects the German view of the elementary path to theoretical economics. The tone, controversial rather than explanatory, has a distant ring to one whose ears are accustomed to the English-speaking economist who long has regarded this branch of his discipline either as settled or as too attenuated for gainful exploration.

Jevons' statement of the principle of choice in economics is taken as a specimen of the commonplace, inapt form and is recast to cut it loose from utilitarian psychology, to avoid methodologic objections, and to fit it for mathematical treatment. In reshaping the principle it is stripped of parts of the original signification until it meets the objections that have been raised, but *pari-passu* it appears to grow meaningless. Consequently the altered form is defended against the accusation that it has become tautologic. Thereafter the equations of exchange are formed. A subsequent section vindicates the equations from the imputation that they merely denote a wearying, manifest relationship among the exchangers from which all elements of causality are absent.

Perhaps the most engaging part of the volume is found in the scrutiny that the author gives to the relationship of economic theory to reality. Here the conclusion of Max Planck, the physicist, is transferred to economics. Under his view theory never pictures the actual world; instead, it serves solely as an artful device for the understanding of reality. Thus to the theorist two worlds simultaneously exist: one of theory, in which the flow of causality can be observed; and another, sensually perceived, with its astonishing jumble of phenomena. The organon of theory offers a trying-ground to which events from the actual world may be taken for prognostication. By this means the pure theorist is relieved from a mindfulness of fact and, content with his exclusively horoscopic theory, he need pay no attention to the taunt that it oversimplifies or belies the world of the practical man.

R. S. HOWEY

Bertolino, A. *Appunti sugli albori del pensiero economico inglese.* (Siena: Circolo Giuridico della R. Università. 1932. Pp. 179.)

The author defines the beginning of English economic thought as the moment when English writers dropped the universalism of antiquity and the Middle Ages and saw economic situations in a particularist way. He first reviews medieval economic doctrines as they were exemplified and developed in England. In more detail he then examines many early English writers, citing numerous telling passages from their works, giving to More an entire chapter and to the Reformation (with admiring emphasis on Hales) half the volume. There would be room in contemporary English literature for a work so succinct and so clearly and vividly written.

R. F. F.

Binder, H. *Das sozialitäre System Eugen Dührings.* Beiträge zur Geschichte der Nationalökonomie, Heft 8. (Jena: Fischer. 1933. Pp. viii, 112. RM. 5.40.)

Bresciani-Turroni, C. *Inductive verification of the theory of international payments.* Pubs. of the Faculty of Law, no. 1. (Cairo: Egyptian Univ. 1933. Pp. 112. P.T. 9.)

The author begins by setting forth the facts concerning the German foreign borrowings during the years from 1924 to 1929, and the "adjustment of the German trade balance to foreign borrowings." His interest, however, is not in the balance of trade in any narrow sense but in the whole balance of payments and, beyond that, in the adjustment of the German economy to the situation. The conclusions which he reaches from his examination of the facts are: "Foreign money entered Germany in the form of devisen or gold; circulation and banking deposits expanded; the increased purchasing power of German industrialists and of public bodies provoked a rise (or a tendency towards a rise) in the German price level; as a consequence imports were stimulated; so that finally foreign credits transformed themselves into goods" (p. 65). So much for the observed succession of events. The author adds comments which are not optimistic upon the results of this German borrowing and expresses the hope that at the end of the world depression the losses "will perhaps not be so enormous as they presently appear."

The remaining pages are given to a discussion of the theoretical aspects of reparation payments. Attention is directed, in connection with reparations, to the relation between the "internal" and the "external" problems of reparation payment. The author is less dogmatic than are those who hold the "fiscal" problem and the "transfer" problem in separate compartments. The most interesting of the author's general conclusions is that shifts in demand (in the schedule sense) play a large part, in his opinion, in bringing about the transfer which is called for by an international movement of capital. He believes that a case may be made out for such shifts from the point of view of theory and that the study of the German case gives reason to believe that such shifts actually were important. On this point the author places himself with those who minimize the importance of a "mechanism" in which price changes play an essential part. His conclusions upon other points, however, place him rather with those who hold to the more orthodox theory.

C. F. Remer

Briziotti-Kretschmann, J. *Lo stato come soggetto economico studi metodologici sull' economia politica.* (Pavia: Treves-Treccani-Tumminelli. 1933. Pp. 42.)

Bye, R. T. and Hewett, W. W. *Applied economics: the application of economic principles to the problems of economic life.* 2nd ed. rev. (New York: Crofts. 1934. Pp. x, 693. $3.75.)

From the preface to this second edition the following notations are made: chapters have been re-arranged in a more logical order; two new chapters have been added dealing with achievement and failure in our industrial system, and the plight of agriculture. Sections have been introduced dealing with the development of Fascism and economic planning. Extensive revisions have been made in the chapters dealing with unemployment, the price system, business cycle, monetary stabilization, banking, international finance, the revenue system of the United States and government regulation of ownership. A discussion of the recovery program of the Roosevelt administration is also introduced into some of the chapters.

Diehl, K. *Einführung in das Studium der Nationalökonomie.* Grundrisse zum Studium der Nationalökonomie, Band I. (Jena: Fischer. 1933. Pp. vi, 153. RM. 7.50.)

Durbin, E. F. M. *Purchasing power and trade depression: a critique of under-consumption theories.* (London: J. Cape. 1933. Pp. 198.)

Haney, L. H. *Economics in a nutshell.* (New York: Macmillan. 1933. Pp. xvi, 213. $2.)

Written in pungent style "to apply economic principles, and especially to invite the public into the sometimes cloistered recesses where the economic theorist is wont to dwell." Author presents the "orthodox" interpretation of economic texts, but disclaims exaggerated individualism. His analysis of current proposals is, while brief and condensed, stimulating.

Heimann, E. *Socialwissenschaft und Wirklichkeit: zwei soziologische Vorträge.* (Tübingen: Mohr. 1932. Pp. 66. R.M. 2.40.)

Lovely, T. J. *Digest of economics.* (New York: Globe Book Co. 1933. Pp. vii, 366. 93c.)

"Subject matter covers the requirements of the syllabus in economics for secondary schools." Includes "true-false" questions, "completive" questions, "multiple choice" questions.

Lutz, H. L., Foote, E. W. and Stanton, B. F. *A new introduction to economics.* (Evanston: Row, Peterson and Co. 1933. Pp. viii, 512, xxxii. $1.60.)

Designed for high school students. Contains review questions, problems and suggestions for investigations. In the appendix is a list of examination questions taken from the New York State Regents' Examinations and other sources. There are many illustrations and charts.

Mund, V. A. *Monopoly: a history and theory.* (Princeton: Princeton Univ. Press. 1933. Pp. 151. $3.)

Professor Mund's history is not that of monopolistic practices, but of the development of the monopoly concept from Aristotle's *Politics* to Fetter's *Masquerade of Monopoly.* His account of modern writing about monopoly discusses nothing since 1901 except Clark's *Essentials of Economic Theory,* the second edition of J. B. and J. M. Clark's *Control of the Trusts,* Wieser's *Social Economics,* and Fetter's work. Hence it is not surprising that his theoretical section reiterates Fetter's emphasis upon the

basing point system. Certain modern developments of the theory of monopoly are briefly rejected: the idea that a small number of large producers necessarily exercise some monopoly power and the idea that potential competition is an ineffective protection to the consumer. Upon this second point the theoretical position is somewhat confused; for on page 111 the difficulties faced by the potential competitor are set forth as a basis for monopoly power, whereas on page 150 the removal of the smaller part of these difficulties enables potential competitors to "hold the large corporation firmly in check."

CORWIN D. EDWARDS

OPPENHEIMER, F. *System der Soziologie.* Band IV. *Abriss einer Sozial und Wirtschaftsgeschichte Europas von der Völkerwanderung bis zur Gegenwart.* Abteilung 2. *Adel und Bauernschaft: das Mittelalter.* (Jena: Fischer. 1933. Pp. xvi, 413-812. RM. 19.50.)

PALOPOLI, N. *Economia corporativa e corporativismo economico-fascista. Saggio critico sulle teorie di N. M. Fovel.* (Rome: L'Econ. Italiana. 1933. Pp. 122.)

ROBERTSON, H. M. *Aspects of the rise of economic individualism: a criticism of Max Weber and his school.* (New York: Macmillan. Cambridge, Eng.: Univ. Press. 1933. Pp. xvi, 223. $3.50.)

SIMPSON, G. *Emile Durkheim on the division of labor in society: being a translation of his "De la division du travail social" with an estimate of his work.* (New York: Macmillan. 1933. Pp. xliv, 439. $3.50.)

TAGLIACOZZO, G. *Economia e massimo edonistico collettivo.* (Padua: Milani. 1933. Pp. viii, 136. L.16.)

The author gives a brief survey of the solutions to the problem of maximum satisfaction suggested by several of the outstanding English, German and Italian economists. The representatives of classical economics regarded maximum welfare as a result of producing the greatest possible amount of wealth, and they paid no attention to the problem of distribution. Substantially the same view is held by the prominent Italian economists belonging to the school of pure economics, the only difference being that Italian economists of this school explicitly maintain that distribution resulting from free competition secures maximum social welfare.

The first attempt to differentiate between maximum welfare and maximum production was made by followers of socialist and historical schools in Germany, who advocated the uniform distribution of wealth. However their solution was not a scientific one, as it was based on social and ethical postulates. The law of diminishing utility gave scientific support to the principle that social welfare could be increased by eliminating great inequalities in distribution resulting from free competition. Since the utility derived from successive fractions of income is decreasing, one can add to social welfare by transferring some fractions of wealth from the rich man to the poor man.

True, many economists have argued in this way; but to derive the principle of equal distribution of wealth from the law of diminishing utility is nevertheless erroneous, for this law does not enable us to compare the degree of utility of the same unit of wealth for different individuals.

F. VITO

Van der Lely. *Arbeidsorganisatie, technocratie, welfaart.* (Assen: Gorcum and Co. 1933. Pp. 200.)

The author aims to give in popular form a survey of economics. He re-examines the fundamentals of the conventional and attempts to outline the premises of a new dynamic-social economics. He considers the material, moral and spiritual factors and notes particularly the dynamic character of recent economic problems.

Part 1, a critical study of the rôle played by labor in economic evolution, contends that labor is the fundamental factor in the economic structure. Production is the foundation, exchange and distribution are the superstructure. In the development of economic activities society has left the sound basis of production for service and accepted production for profit. Money-profit has become the deciding factor in the production, exchange and distribution of wealth. Part 2 discusses what the author terms technocracy—a mechanization and organization to achieve social welfare. Where wages, rent and interest are accorded the factors of production according to their marginal productivity to the profit-seeking entrepreneur, labor has not been permitted to share fully in the benefits of new inventions in machinery and organization. Mass production has resulted in unemployment; it is motivated by private profit instead of social service and the general welfare.

Part 3 discusses welfare, a well-being brought about by the proper coördination of economic factors. Fundamentally human labor is the basis of material welfare. Each person is an individual but is dependent on his environment. Social organization recognizes individual differences in moral and spiritual opinions but requires that these be synthesized into a higher unity. This may be accomplished through education and coöperative effort, national and international. Social reform is not realized through cries, scoldings and accusations, through the forming of parties and the making of wars and revolutions, but through the stimulation of thought, the penetration of ideas and the strengthening of the powers of organization and of the sense of responsibility in the human soul. One can well agree with the author's analysis of our present economic system without sharing his faith in his proposed remedies. The book is worthy of serious consideration.

R. S. Saby

Wagenführ, H. *Der Systemgedanke in der Nationalökonomie: eine methodengeschichtliche Betrachtung.* (Jena: Fischer. 1933. Pp. xii, 384. RM. 17.50.)

Wicksteed, P. H. *The common sense of political economy and selected papers and reviews on economic theory.* Edited by Lionel Robbins. Vols. I and II. (London: Routledge. 1933. Pp. xxx, 398; vi, 401-871. 8s. 6d.; 12s. 6d.)

Volume I of Professor Robbins' excellent edition makes separately available Book I, the "Systematic and constructive" part of Wicksteed's classic. In isolation, this represents the most notable elaboration of marginal utility theory in English literature. Without graphic or mathematical devices, it constructs upon the basis of the universal tendency toward equalizing marginal satisfactions an edifice of value and distribution theory. Adversaries of the marginal analysis may well take this opportunity to re-examine Wicksteed before charging the school generically with assuming a hedonistic ethic or with confusing economic analysis and apologetics.

Volume II embraces the remaining parts of *The Common Sense of Political Economy:* Book II, "Excursive and critical," including diagrammatic presentations of total and marginal utilities, Wicksteed's singular objections to supply and cost curves, his indictment of an ambiguous use of "increasing returns," his assimilation of rent to capital yields in general; and Book III, suggesting practical applications of the theoretical apparatus to problems of housing, unemployment, crises, trade unions, etc. The *Selected Papers and Reviews* which follow afford an intimate view of Wicksteed's social philosophy and further schooling upon his doctrinal positions. The inclusion of these Wicksteedania is no less fortunate than Professor Robbins' spirited and sympathetic introduction to the two-volume work.

HOWARD S. ELLIS

Economic essays in honour of Gustav Cassel, October 20th, 1933. (London: Allen and Unwin. 1933. Pp. 720. 30s.)

Til Harald Westergaard, 19. April, 1933. (Copenhagen: Gyldendalske Boghandel, Nordisk Forlag. 1933. Pp. 259.)

This is a *Festskrift,* in honor of Professor Westergaard on his eightieth birthday, by his former students and colleagues.

The late Professor Birck, in his article "The laws of production and distribution: a revision and a critique," holds that all economic laws (so-called) are time-limited and must vary according to changes in socio-economic production, exchange, and distribution-consumption; that Carver's "A+B=P" is valueless and cannot be added; that Clark's two-factor analysis is absurd, for the variation of (say) capital means the same as changing technique; that the product of the combination of the factors increases progressively instead of proportionately; and that the concepts of labor's marginal productivity and the marginal productivity of abstract capital in a system of equilibrium "are new policemen brought forward in defense of the existing distribution." And Gloerfelt-Tarp, in his "Productivity and the concept capital," holds that any agent—even free goods—essential in a productive process is *originally* productive. Thus also capital in all forms.

Alsing and Nybölle contribute a statistical study regarding the students who matriculated in the University at Copenhagen during the years 1913-1924; even Marstrand contributes a laudatory and explanatory commemoration of the late Lujo Brentano and his life-work; Professor Heckscher of Sweden presents an extremely interesting statistical interpretation of the population movements in Sweden during 1721-1748; Leo Harmaja of Finland contributes an historical article on the commercial relations between Finland and Denmark around the year 1831; Professor Frisch of Norway adds, in French, a discussion on monopolistic and polypolistic combinations, with special reference to the concept of dynamic force in economic interrelationships.

Professor Warming holds that "A world without crises" would be a world of slow progress, with decreasing returns for land and capital and an increasing share going to labor; Jörgen Pedersen holds that the concept price-level (*Prisniveauet*) is incorrect and misleading, is but an arithmetical average between arbitrarily adjusted price-figures. Axel Nielsen's article deals with the credit-debit relation between countries, especially those of Europe-America, before and after America ceased exporting capital to Europe; and Adolph Jensen insists that Malthus' law of pop-

ulation was correct in view of the hygienic and socio-economic knowledge and conditions of Malthus' time, though very one-sided, but incorrect in view of the same phenomena of our time; Professor Zeuthen is occupied with the price-political interrelationships between production costs, transportation expenses, and selling prices—illustrated by algebraic equations and geometric planes (à la Cassel and Alfred Weber).

LYDER L. UNSTAD

Economic History and Geography

An Economic Survey of Ancient Rome. Edited by TENNEY FRANK. Vol. I. *Rome and Italy of the Republic.* (Baltimore: Johns Hopkins Press. 1933. Pp. xiv, 431. $3.00.)

This is the first of four volumes which, under the general editorship of Professor Frank, will present an economic survey of the ancient Roman world. The aim of this survey is the presentation of the literary, documentary and archeological evidence bearing upon economic conditions in the regions ruled by Rome, together with such explanations as may be necessary to enable those who are not experts in the field to make proper use of the material assembled. No attempt is made to write an economic history or to set forth any special theories regarding Rome's economic development.

The selection and interpretation of the sources included in the present volume have been made with the same care and good judgment that has characterized Professor Frank's previous economic studies, and set a high standard for the later volumes of the series. The arrangement of the material, partly chronological and partly topical, enables the reader to consult the book with the maximum facility. An introduction covering the period prior to 387 B.C. is followed by five chapters which deal with five successive epochs between that date and the close of the republican period; namely, (1) from the Gallic Fire to the First Punic War, 387-264 B.C.; (2) the First and Second Punic Wars, 264-200 B.C.; (3) the Eastern Wars, 200-150 B.C.; (4) the Gracchan Period, 150-80 B.C.; (5) from Sulla to Augustus, 80-30 B.C. Each chapter is subdivided into sections under such heads as land and population, public finances, coinage, agriculture, industry, commerce, banking, prices, labor, etc.

While it is impossible to discuss the details of any of these topics within the limits of this review, there are some general results of the survey which arrest attention. Above all, one is struck by the paucity of detailed information regarding some of the most significant items of public and private income and expenditure. For example, we have no accurate figures regarding the total slave population nor of the average prices of slaves, no statements of the costs of arming and transporting military forces, nor of administering the Gracchan grain dole. It is impossible to form

an estimate of the public finances from 90 to 30 B.C. The prices available for wheat, wine and meat refer to abnormal situations, and we do not even know the prices of agricultural land in the last century B.C. Furthermore, the information available comes from a very few localities: Rome, some places in Latium, Campania and Etruria, and parts of Cisalpine Gaul. For the rest of Italy under the Roman republic there is practically nothing. Only when we realize the poverty of our sources, can we appreciate the difficulties which the student has to face in trying to build up a clear and connected account of Roman economic history. Again, it becomes quite evident that the Roman state, except perhaps under Julius Caesar, lacked any definite economic policy and that agricultural interests were dominant to the detriment of commerce and industry. But the reader who is not familiar with the history of the ancient world in general must be warned that conditions in Mesopotamia, Syria, Egypt, Asia Minor, and Carthage presented an altogether different picture; for there we meet with states which had well-defined economic policies in which manufacturing and foreign trade assumed a prominent rôle. By far the largest item in the budget of Rome was the maintenance of the military and naval establishment; 77 per cent of the total between 200-150 B.C.; over 57 per cent between 150-80 B.C., the only periods for which the total budget can be calculated with some degree of probability. In times such as the First and Second Punic Wars and the Civil Wars of the last century B.C. the percentage was much higher still, but in this respect Rome did not differ very markedly from modern states.

There are not many typographical or other errors in the text, but a few call for correction. The area of the Roman state before the First Punic War is given as 10,000 square miles on p. 56, as 7,000 on p. 75; on p. 202 the phrase *socii nominis Latini* is translated as "Italian" instead of "Latin" allies; the compensation offered by the Senate to Sextus Pompey for the loss of his father's property appears as 50,000,000 sesterces on p. 337, as 70,000,000 on p. 393. It might have been advisable to include in the list of dates prefixed to the several chapters those of the organization of all the provinces acquired in each period. The bibliography is well chosen and there is a good index. One will look forward with eagerness to the appearance of the remaining volumes which are promised by 1935.

A. E. R. Boak

University of Michigan

NEW BOOKS

Beard, M. R., editor. *America through women's eyes.* (New York: Macmillan. 1933. Pp. 558. $3.50.)

This volume illustrates "the share of women in the development of American society—their activity, their thought about their labor, and their

thought about the history they have helped to make or have observed in the making." Extracts from histories, letters, journals are connected by expository interpretation of the editor. Chapter 4 is entitled "Machine industry and plantation"; Chapter 11, "Carrying on in agriculture"; and Chapter 12, "Carrying on in big business."

Bérenger, H. *La question des dettes.* (Paris: Hachette. 1933. Pp. 306.)

Bining, A. C. *British regulation of the colonial iron industry.* (Philadelphia: Univ. of Pennsylvania Press. London: Humphrey Milford. 1933. Pp. xii, 163. $2.)

This little book written as a doctoral dissertation is an essay in economic planning. The British forests had been used up and Britain was forced to depend upon Sweden, Russia, and other continental countries for much of its iron. In case of war this dependence might become dangerous. There was an obvious political advantage in turning to the American colonies for its supply.

The author analyzes the different classes or interests in regard to the British-American iron situation. The British manufacturers of ironwares won as against furnace owners who wanted to keep out colonial pig iron and against forge owners who wanted to obtain colonial bar iron. Accordingly, the export of colonial pig and bar iron to Britain was encouraged, whilst the manufacture of finished ironwares in the colonies was to be curtailed through the prohibition of slitting mills.

The plan failed. Slitting mills continued to operate in the colonies, the export of pig and bar iron to Britain did not develop because of high freight and labor costs, and the colonies had plenty of iron when the Revolution was upon them. The colonists were not expert in the finer iron working; but they could manufacture iron of excellent quality and they could fashion implements, tools, utensils, and cannon that served local purposes.

The author has told a clear story, making good use of sources both primary and secondary. Several pictorial illustrations, representing machinery and other equipment, add to the interest of the book, though they are hardly integrated with the text.

N. S. B. Gras

Brebner, J. B. *The explorers of North America, 1492-1806.* (New York: Macmillan. 1933. Pp. xv, 502. $3.50.)

Campbell, T. D. *Russia: market or menace?* (New York: Longmans Green. 1932. Pp. x, 148.)

This monograph is an account of the author's observations of conditions as he saw them in various agricultural regions and industrial centers of Soviet Russia during a period of two short visits. One of the outstanding agricultural engineers of the United States, operating 95,000 acres of farm land in Montana and raising wheat and flax, Mr. Campbell was invited by the Soviet Government to go to Moscow in 1929 as special adviser and consulting engineer to discuss with their agricultural experts the Five-Year program as it is related to farming. In 1930 he was invited to return to Russia to make an official inspection of the state and collectivized farms during the harvest season.

The book contains six chapters and a foreword. Chapter 1 is a narrative of the first trip to Russia in January, 1929. Chapter 2 discusses in general terms the situation in Soviet Russia as regards industry and agri-

culture. Chapter 3 describes the organization of coöperative and collectivized farms of various kinds. Chapter 4 narrates the experiences of the author on the occasion of the second trip to Russia in the summer of 1930. Chapter 5 continues the narrative, pointing out the noteworthy changes that occurred in the interval between the two visits. Chapter 6 is an appraisal of the Soviet scheme of things.

The reader is left to decide whether Russia is a market or a menace; but it is not difficult to read between the lines of the book that the author considers Russia a market opportunity rather than a danger spot. To wit: "As I have shown, the Russians prefer American goods. But . . . our present negative attitude (with regard to long-time credit arrangements) toward Russian trade is resulting in our loss, not Russia's" (p. 140). "I have very little patience with the people who think that Communism can destroy the United States . . . I am convinced that all the Communistic propaganda that could be printed or spoken could not shake the confidence of our people in our Constitution, or diminish their loyalty to our government" (p. 146). And finally: "I believe that we should trade with Russia. Europe, by adopting our methods of mass production, has already taken the European market away from us, and will soon have all the Russian market. It is undoubtedly the greatest market in the world today for American goods, and if we take that market now we will have it for the next fifty years." As I write (November 17) the radio announces that the Roosevelt Administration has recognized Soviet Russia. Apparently Washington has at least one eye cocked toward the world's "greatest" market.

J. S. Robinson

Cerulli, E. *Etiopia occidentale (dallo Scioa alla frontiera del Sudan).* Vol. II. *Note del viaggio, 1927-28.* (Rome: Sindacato Italiano Arti Grafiche. 1933. Pp. 266. L. 25.)

Cole, G. D. H., and Cole, M. *The intelligent man's review of Europe today.* (New York: Knopf. 1933. Pp. xvii, 624, xxiv. $3.)

Part 3 (pp. 239-384) deals with economic conditions in Europe, covering the post-war economic situation, the world slump, European agriculture, monetary problems, proposals for raising the price-level, proposals for restoring the gold standard, the strangling of European trade, and wages.

Coulter, E. M. *A history of Georgia.* (Chapel Hill: Univ. of North Carolina Press. 1933. Pp. 460. $3.50.)

Dean, V. M. *Soviet Russia, 1917-1933.* World affairs pamph., no. 2. (Boston: World Peace Found. New York: Foreign Policy Assoc. 1933. Pp. 40. 50c.)

Douglas, P. H. *Collapse or cycle?* (Chicago: Am. Library Assoc. 1933.)

Ehrt, A. *Communism in Germany! The truth about the communist conspiracy on the eve of the national revolution.* (Berlin: Gen. League of German Anti-Communist Assoc. 1933. Pp. 179.)

Einaudi, L. *La condotta economica e gli effetti sociali della guerra italiana.* (Bari: Laterza. 1933. Pp. xxxii, 444. L. 50.)

This volume resumes and closes the Italian series of the Economic and Social History of the World War, edited by Carnegie Endowment. In short compass it gives a substantial account of the multifarious economic and social transformations of Italy brought about by the war. It contains vivid description and comment on the financial and technical effort and of the

sufferings endured by Italy during the time of war; of the economic policy adopted by the state, which has developed a sort of collectivism through the public organization of agriculture, industry and trade and through the regulation of consumption. The second half of the book gives a sketch of Italian economic life during the turbulent years after the war and of the difficult work of financial reconstruction. The book is well written; some pages are in a fascinating style. Chiefly remarkable are the first chapter, which is an acute and original sketch on the fundamental character of economic life in Italy on the eve of war, and the last chapter, which points out the moral weakness of some classes in the post-war period and the causes of the growing dependence of economic activity upon the state. Both chapters are valuable contributions on the making of modern Italy.

Riccardo Bachi

Engelmann, J. *Untersuchungen zur klösterlichen Verfassungsgeschichte in den Diözesen Magdeburg, Meissen, Merseburg und Zeitz-Naumburg.* Beiträge zur mittelalterlichen und neueren Geschichte, Band 4. (Jena: Fischer. 1933. RM. 4.20.)

Fanfani, A. *Le origini dello spirito capitalistico in Italia.* (Milan: Soc. Ed. Vita e Pensiero. 1933. Pp. vi, 180. L. 10.)

Flanders, R. B. *Plantation slavery in Georgia.* (Chapel Hill: Univ. of North Carolina Press. 1933. Pp. 300. $3.50.)

Gates, C. M., editor. *Five fur traders of the Northwest.* (Minneapolis: Univ. of Minnesota Press. 1933. Pp. 298. $3.50.)

Gideonse, H. D. *World depression, world recovery.* (Chicago: Am. Library Assoc. 1933. Pp. 22.)

Gideonse, H. D. and Brant, I. *War debts: articles.* Internat. conciliation no. 294. (New York: Carnegie Endowment for Internat. Peace. 1933. Pp. 51. 5c.)

Hausleiter, L. *The machine unchained: revolution in the world economic system from the first steam engine to the crisis of plenty.* Translated from German by Margaret M. Green. (New York: Appleton-Century. 1933. Pp. 391. $3.)

Hill, R. R. *Fiscal intervention in Nicaragua.* (Washington: Author, 4929 Butterworth Pl., N.W. 1933. Pp. 124. $1.55.)

Holbrook, F. F. and Appel, L. *Minnesota in the war with Germany.* Vol. II. (St. Paul: Minnesota Hist. Soc. 1932. Pp. x, 290. $2.50.)

Humbert, R. L., and others, editors. *Virginia economic and civic.* (Richmond: Whittet and Shepperson. 1933. Pp. 448. $4.)

Jackson, J. and King-Hall, S., editors. *The League year-book, 1933.* 2nd annual ed. (New York: Macmillan. 1933. Pp. xiii, 468. $4.50.)

Johnson, E. H. *The basis of the commercial and industrial development of Texas: a study of the regional development of Texas resources.* Monog. no. 9. (Austin: Univ. of Texas Bur. of Business Research. 1933. Pp. 148.)

Kohler, M. J. *The United States and German Jewish persecutions—precedents for popular and governmental action.* Reprinted from the bull. of the Jewish Acad. of Arts and Sciences. (Cincinnati: Jewish Acad. of Arts and Sciences. 1933. Pp. 77.)

Kohn, H. *Nationalism in the Soviet Union.* (New York: Columbia Univ. Press. 1933. Pp. 175. $2.50.)

Landis, B. Y. *The third American Revolution: an interpretation.* (New York: Association Press. 1933. Pp. vii, 156. $1.75.)

Author is associate secretary of the Department of Research and Education of the Federal Council of Churches of Christ in America and executive secretary of the Country Life Association. The volume provides a survey of legislation and administration to stimulate national recovery. The appendix contains a list of topics for discussion.

Lindley, E. K. *The Roosevelt revolution: a history of the New Deal.* (New York: Viking Press. 1933. Pp. viii, 328. $2.50.)

An exceptionally readable account of the economic and social policies of the Roosevelt administration, brought down to October, 1933. The author, on the staff of the New York *Herald-Tribune,* is free from bias in his narrative and interpretative comment. The more recent monetary policy, however, does not come within the scope of his chronicle.

McKay, D. C. *The national workshops: a study in the French Revolution of 1848.* Harvard hist. stud. vol. 35. (Cambridge: Harvard Univ. 1933. Pp. 217. $2.50.)

Manning, H. T. *British Colonial government after the American Revolution, 1782-1820.* (New Haven: Yale Univ. Press. 1933. Pp. xii, 568. $4.)

Mason, A. T. *Brandeis: lawyer and judge in the modern state.* (Princeton: Princeton Univ. Press. 1933. Pp. vi, 203. $2.)

Maxwell, B. W. *The Soviet state: a study of Bolshevik rule.* (Topeka: Steves and Wayburn. 1934. Pp. 400. $3.50.)

Author is professor of history and political science at Washburn College.

Mortara, G. *Problemi economici dell' ora presente.* (Milan: Polig. degli Operai. 1933. Pp. 78.)

This compact discourse on the economic consequences of the war begins, as did Keynes's volume, with a seductive picture of the comparatively stable world which antedated the war. It is true that not a few of the most disturbing developments got well under way while the war was yet being fought, such as the new distribution of gold, the dislocation of prices, the progressive but unequal impoverishment of peoples. But many other conditions, which merely threatened to appear when Keynes wrote, now provide the historical material by which Mortara explains the genesis of the world depression.

Peace brought a losing conflict between the tendency to resume previous ways and a variety of subversive and transforming tendencies. Permanent changes in the international division of labor brought changes in the balance of trade and sustained the new economic nationalism. Class struggles appeared in various countries. Everywhere the functioning of economic institutions was altered. The selfishness of men, which was partly suppressed during the war, reasserted itself in new contests between men, between classes, between countries. State intervention in business took on forms scarcely dreamed of before the war, ranging from drastic taxation and trade restrictions to complete control.

Mortara offers a masterly analysis of fundamental changes in world economy which headed toward the catastrophe that followed: policies affecting production, tariffs, credit, money (stabilization of money before trade is stabilized), the equivalence of prices in different countries.

At bottom, the depression was purely social in character. Elaborating this thought, Mortara allows himself to suggest that a lowering of tariff barriers, coupled with association of capital and labor on unutilized resources, would gradually eliminate unemployment; but he fortunately goes on to more realistic considerations. He is impressed with the success of

the Soviets, though unable to condone their suppression of individual initiative. Mere opposition to their program would not avail to redeem the world from chaos. Mussolini was the first statesman to discover that the alternative must consist of nothing less than a modification of capitalism, and devised for Italy the corporative state.

Although it is Mortara's keen sense of the necessary sequence of events that will most abide by his readers, it may be added that he offers a program of recovery. He emphasizes cancellation or reduction of intergovernmental and private external debts, reduction of internal debts, lowering of tariff barriers, resumption of the migration movement, return to a gold monetary base and reduction of government expense.

R. F. Foerster

Mortara, G. *Prospettive economiche.* (Milan: Università Bocconi. 1933. Pp. xvi, 631, 19. L. 50.)

In its scope, the authoritativeness of its data, and the fundamental character of the topics it discusses, this thirteenth volume in a series of yearbooks is not less admirable than its predecessors. Like them, it discusses broadly, with much statistical detail, various great commodity markets—grain, wines, olive oil, coal, petroleum, electrical energy, iron, copper, silk, cotton, wool, rayon (this more extensively than in some former years), also transportation by sea and land, and monetary changes. Each chapter deals with world conditions, and separately with their Italian counterpart. Despite the book's factual emphasis, some synthesizing ideas emerge. "Almost every page," says the author, "where, with the greatest effort to be objective, we have described events and sought their causes, gives evidence . . . of the absolute dominion of political factors over economic, in the last fifteen years." Economic nationalism, he concludes, will yield only to stable conditions of peace. American readers will not find much about the monetary policies of the New Deal except bewilderment.

R. F. Foerster

Pokrovsky, M. N. *Brief history of Russia.* Vol. II. (New York: Internat. Pubs. 1933. Pp. 348. $2.50.)

Pond, P., and others. *Five fur traders of the Northwest.* Edited by Charles M. Gates. Minn. Soc. of Colonial Dames of Am. pub. (Minneapolis: Univ. of Minnesota Press. 1933. Pp. 303. $3.50.)

Robertson, H. M. *Aspects of the rise of economic individualism.* Cambridge stud. in econ. hist. (New York: Macmillan. 1933. Pp. 239. $3.50.)

Rowe, K. W. *Mathew Carey: a study in American economic development.* Johns Hopkins Univ. stud. in hist. and pol. sci. (Baltimore: Johns Hopkins Press. 1933. Pp. 140.)

Although a reader might not accept, without some reservation at least, the assertion made in the opening sentence of this excellent monograph that "the course of economic events in this country would have been far different but for Mathew Carey and Hezekiah Niles," the author proves convincingly that Carey, Irish immigrant to America in 1784, was one of the foremost Americans of his time. Certainly he was one of the most active—essayist, publisher, promoter, public speaker, humanitarian, patriot, economist. As economist, he was most contemptuous of abstract systems of economic theory. The only kind of system he was interested in setting up was a set of rules of action by which the national economic life

of his adopted country might be advanced. Colbert, Sully and Hamilton, rather than the great masters of the English classical school, provided the intellectual foundation of his economics. The *Wealth of Nations* Carey found to be "very dry," "full of verbiage" and in considerable measure "absurd."

His own contributions to American economic development are contained in a vast number (the author has listed well over two hundred) of essays, memorials, reports and addresses which dealt with the pressing problems of early nineteenth century America. Of the major issues to which he devoted his attention, the most significant to him and the one he most ardently supported was the American System. Perhaps America's most fanatical mercantilist, he gave the best part of his life toward pleading the cause of national self-sufficiency. The author assigns him a position of paramount importance as "one of the founders if not the founder of the American System." Opposition emerged from three sources. First, the free-trade South honored him with the title "the big ourang-outang and baboon of the monkey system." Second, the class harmony theory which colored all his thinking on this issue was by no means universally accepted. Third, one of his greatest disappointments was his failure after several attempts to organize the influential manufacturers in support of the American System. The climax of his public career came with the enactment of the tariff of 1828.

The story of Carey's active participation in public discussion over other phases of American economic life—banking and currency, internal improvements, poverty, taxation and slavery—is dramatically depicted. The author has succeeded very well in achieving his aim "to inject some breath of life" into a study of a fascinating and somewhat neglected figure.

Robert L. Carey

Schlesinger, A. M. *Political and social growth of the United States, 1852-1933*. Rev. ed. (New York: Macmillan. 1933. Pp. xi, 564. $3.)

Sée, H. *Origini ed evoluzioni del capitalismo moderno: schizzo storico*. (Milan: A. Corticelli. 1933. Pp. viii, 245. L. 12.)

Sellers, L. *Charleston business on the eve of the American Revolution*. (Chapel Hill: Univ. of North Carolina Press. 1933. Pp. 230. $2.50.)

Sipos, A. *Ungarns Stellung in der Weltwirtschaftskrise*. Sonderabdruck aus Ungarisches Wirtschafts-Jahrbuch, ix. Jahrg., 1933. (Budapest: Selbstverlag des Verfassers. 1933. Pp. 31.)

Slater, G. *The growth of modern England*. (Boston: Houghton Mifflin. 1933. Pp. xi, 642. $4.)

Stone, R. G. *Hezekiah Niles as an economist*. Johns Hopkins Univ. stud. in hist. and pol. sci. (Baltimore: Johns Hopkins Press. 1933. Pp. 137. $1.75.)

A monographic study of one of the founders of *Niles' Register* and a preeminent promoter of the American System. The study is thoroughly annotated and is a contribution to economic history.

Tannenbaum, F. *Peace by revolution: an interpretation of Mexico*. (New York: Columbia Univ. Press. 1933. Pp. 317. $3.50.)

Thelwall, J. W. F. *Economic conditions in Germany to June, 1933: report*. (New York: British Library of Information. London: H. M. Stationery Office. 1933. Pp. 166. $1.38.)

This furthers the serviceable periodic survey of economic developments in Germany, the present report continuing that of September, 1932. The several chapters cover foreign trade, industries, fuel and power, transport and communication, and labor.

VAN WINTER, P. J. *Het aandel van den Amsterdamschen handel aan den opbouw van het Amerikaansche Gemeenebest.* Tweede deel. (The Hague: Martinus Nijhoff. 1933. Pp. xxiv, 500.)

The first volume of this work appeared in 1927, published under the auspices of the Netherlands Economic-Historical Archives Association, and brought the study of the commercial and financial relations between the United States and the Netherlands down to 1789. The second and concluding volume, under the same auspices, begins with 1789 when Théophile Cazenove came to this country as a representative of four big Amsterdam concerns and is largely an account of his activities in representing Dutch financial and commercial interests. We are given well-documented accounts of trade and commerce with the Netherlands at that time, of Alexander Hamilton's loans in Amsterdam, of Dutch gold used in large amounts in the construction of bridges, roads, canals, river improvements, etc., in the United States, of Dutch participation with Robert Morris and others in land companies and land speculations, and of Dutch financial aid in the Louisiana purchase.

An exhaustive bibliography and four maps add materially to the value of the work. The author deserves much credit for his scholarly presentation of the close and vital economic relationship existing between the Netherlands and the United States during the earlier period of our history.

R. S. SABY

WELLS, H. G. *The shape of things to come.* (New York: Macmillan. 1933. Pp. ix, 431. $2.50.)

Commenting on this imaginary history of the next eight centuries, in its rather unnecessary fictional setting, Mr. Wells writes at the end: "If this is neither a dream book nor a Sibylline history, then it is a theory of world revolution. Plainly the thesis is that history must now continue to be a string of accidents with an increasingly disastrous trend until a comprehensive faith in the modernized World-State, socialistic, cosmopolitan and creative, takes hold of the human imagination."

The book opens with about one hundred pages in which the present world situation is presented in scintillating critical review. American readers will be particularly interested in the careful, and on the whole sympathetic account of that almost forgotten episode, the Ford peace ship, in which Mr. Wells sees a prophetic symbol of the European adventure of Mr. Wilson. Then follows the most brilliant part of the book: the "history" of the accelerating breakdown of all our present efforts at world order, of the next world war (1940-50), and of the ensuing collapse of organized society. This collapse includes the entire financial and political system of the United States, which is treated with lively irony and incisive humor. Applied science—Mr. Wells's infallible nostrum—alone survives, with Mr. Edsel Ford as its major prophet. Out of that, by a sort of spontaneous fraternal movement, springs the "air dictatorship"; one recognizes the typical Wells hero writ large as the savior of society. Under pressure of obstacles and revolts the dictatorship becomes increasingly dictatorial. The world order that

it "imposes" is of that intolerably rational, standardized, hygienic kind in which Mr. Wells would probably find himself—though he does not know it—an exceedingly unhappy mortal. That it provides plenty and pleasure to the inhabitants of a unitary world system fails to render the prospect either interesting or attractive. Such an outcome is almost inevitable in writing of this kind; and it seems hardly fair to dwell on the naïveté of Mr. Wells's social psychology or the poverty of his philosophy. He has become the Jules Verne of the sociologists, and in these latter respects is about that writer's contemporary.

WILLIAM ORTON

WELTER, E. *Ende und Lehren der Krise.* (Frankfurt am Main: Societatsverlag Frankfurt am Main. 1933. Pp. 80.)

WHITBECK, R. H. *Industrial geography: production, manufacture, commerce.* (New York: Am. Book Co. 1933. Pp. 608.)

WINDETT, N. *Australia as producer and trader, 1920-1932.* Issued under the auspices of the Royal Inst. of Internat. Affairs. (New York: Oxford Univ. Press. 1933. Pp. xvi, 320. $5.)

WOODHEAD, H. G. W., editor. *China yearbook, 1933.* (Chicago: Univ. of Chicago Press. 1933. Pp. 787. $12.50.)

Annuario de los Estados Unidos Mexicanos, 1930. (Tacubaya: Departamento de la Estadistica Nacional. 1932. Pp. xiv, 529.)

Conférence Economique Paneuropéenne, Vienne, Décembre, 1933. (Vienna: Ed. Paneuropéennes. 1933. Pp. 209-272. 8.40 fr.)

Facts and factors in economic history. Articles by former students of Edwin Francis Gay. (Cambridge: Harvard Univ. Press. 1932. Pp. x, 757. $6.)

No one in America has done more than Professor Gay to establish the claims of economic history to a right to a hearing in the assembly of disciplines. It is therefore fitting that on his twenty-fifth year of teaching a few of his numerous students and disciples should present to him, and to the world of scholarship, this handsome volume of substantial and interesting contributions. These contributions range over a wide field from a consideration of the fundamental problems of economic history throughout the whole wide extent of the periods of economic history to the recent problems of policy and practice on which economic history can shed a ray of light. This wide sweep of contributions in a manner illustrates Professor Gay's wide range of interests and his ability to illuminate and fructify the world of economic practice because of his masterly control of the facts of the economic past. The volume, edited by Professors Arthur H. Cole, A. L. Dunham, and N. S. B. Gras, covers problems in the economic history of ancient Greece, England, France, Spain, Japan, Czechoslovakia, Canada and the United States by the following persons: W. T. Jackman, A. B. Wolfe, C. P. Huse, W. E. Lunt, H. L. Gray, F. C. Dietz, Margaret Randolph Gay, Julius Klein, A. P. Usher, E. J. Hamilton, Clarence Perkins, A. L. Dunham, Blanche Hazard Sprague, D. H. Buchanan, J. C. Hemmeon, W. W. McLaren, Chester W. Wright, A. H. Cole, W. O. Scroggs, L. C. Hunter, C. L. Hodge, T. P. Martin, A. N. Holcombe, C. O. Ruggles, S. O. Martin, Eleanor L. Dulles, N. S. B. Gras, M. T. Copeland, Elizabeth W. Gilboy, E. E. Lincoln, Rudolf A. Clemen, Anne Bezanson, C. E. Persons, and Joseph S. Davis.

The vast array of interests represented here from population in ancient Greece to technological unemployment; from types of capitalism to Bata, chief figure in the world shoe industry; from Spanish mercantilism, Spanish

guilds, Spanish shipping to the light and power industry and managerial factors in marketing; from English taxation, Elizabethan apprenticeship to banking in Alabama and the Boston and Albany Railroad; from the diplomacy of Richard Cobden to the rise of American carpet manufacture; from the textile industry in Japan to some historical aspects of labor turnover, may seem a mozaic of pieces dragged in at random. The impression, however, gathered from reading this volume is precisely the opposite of that of disparateness and incongruity; it is rather one of unity and of interrelatedness of the fundamental economic factors. Without intending it, the contributors to this volume have displayed in their contributions a great deal of the essential unity of economic processes as they are bound to appear when viewed genetically. Besides being a contribution to economic history in this wider sense, many of the articles herein contained are also genuine contributions to history and theory, in the more literal sense, because they present new materials on which to base new conceptions or new points of view in the interpretation of materials already familiar. In addition to all this the volume makes very interesting reading, the articles by A. O. Martin and Edmond E. Lincoln adding piquancy to the general tenor of scholarly restraint and decorum. American economic history is richer by Professor Gay's activity to a degree which this volume has helped to remind us.

MAX S. HANDMAN

Manuel statistique de la République Tchécoslovaque, IV. (Prague: L'Office de Statistique. 1932. Pp. xvi, 487. 45 Kč.)

Newfoundland Royal Commission, 1933: report. (London: H. M. Stationery Office. 1933. Pp. vi, 283. 5s. 6d.)

Statistical year-book of the League of Nations, 1932-33. (Geneva: League of Nations. Boston: World Peace Foundation. 1933. Pp. 292. $3.)

World economic survey, 1932-33. (Geneva: League of Nations. Boston: World Peace Foundation. 1933. Pp. 345. $2.)

This is the second volume of a series begun in 1930. The present volume is prepared by J. B. Condliffe of the Economic Intelligence Service of the League of Nations. The survey is "up-to-date," covering the first half of 1933 to July. Successive chapters deal with prices, disorganization of production, wages and social policy, profits, public finance, international trade, monetary policies and world debts. In the appendix is a useful chronology of events.

World production and prices, 1925-1932. (Geneva: League of Nations. Boston: World Peace Foundation. 1933. Pp. 155. $1.)

Agriculture, Mining, Forestry, and Fisheries

World Resources and Industries: A Functional Appraisal of the Availability of Agricultural and Industrial Resources. By ERICH W. ZIMMERMANN. (New York: Harper. 1933. Pp. xix, 842. $4.00.)

This is a notable book in its field. As the subtitle suggests, it describes resource utilities, rather than mere units of power and matter, thereby transcending the conventional conception of resources as something that can be adequately expounded in statistical tables. The usefulness or

value of a resource is determined not only by its quantity, quality, and location, but also by social, political and technical factors that are constantly changing. A tract of plow land or a body of iron ore may be physically absolute and stable; but in respect to human use it is relative and variable, since its utility at any point of time depends upon things outside itself, such for example as scientific discoveries and inventions, the shifting needs and tastes of those who employ its products, and competing substances and supplies. These aspects come especially to the fore in considering resources from their functional or social-service side.

This hint as to the way the author approaches his theme should not convey the impression, however, that he loses himself in ideology and refined analysis at the expense of factual information. To be sure, about one-fifth of a very substantial volume is devoted to an introduction developing his canons of exposition, which would make a neat little treatise in itself. But this is followed by two major sections, which form the bulk of the work, dealing respectively with the resources of agriculture and their utilization and the resources of industry and their utilization. These discussions subordinate statistics to text more than does the usual manual upon such subjects, but they contain well chosen summary tables and graphs that furnish triangulation points and base lines for a general survey. Moreover, footnote references and an excellent bibliography guide the reader to abundant source material.

An account of the world's resources under their functional aspect is likely to have more permanent validity than an account limited largely to their statistical and quantitative features. Therefore Professor Zimmermann's volume, while not as convenient for contemporary reference as some others, promises to have more enduring value. It is not only in the main a pioneer work so far as America is concerned, because it introduces a more scientific method of resource appraisal than we have used before, but it is a solid—and as such things go a lasting—contribution to world literature upon the subject. Certainly it will be prized by the economic historian of the future.

Some of the author's theses may invite debate; indeed, that is probably their purpose. In a note introducing the final division of the volume, entitled "Foreground and Perspectives," he says:

> . . . two major issues are selected to which the remaining space is devoted: the problems of conservation and of economic nationalism. One deals with the rate of economic utilization; the other, with its institutional aspects, in particular with the social lag between political myths and economic realities. These are among the weightiest problems facing the economist and the statesman today, toward the solution of which this study of resources may contribute a modest mite.

VICTOR S. CLARK

Washington, D.C.

NEW BOOKS

ALQUIER, J., and others. *L'agriculture dans l'évolution de la crise mondiale.* (Paris: Alcan. 1933. Pp. 233. 20 fr.)

Reports of conferences held in Paris during the months of February to April, 1933, organized by L'Institut National Agronomique and L'Association Amicale de ses Anciens Elèves. The several speakers reviewed agriculture in the United States, Germany, Central Europe, South America, the Orient and France.

BEAN, L. H. and CHEW, A. P. *Economic trends affecting agriculture.* (Washington: Supt. Docs. 1933. Pp. 46. 5c.)

BRADLEY, C. J. *The use of credit on selected Kentucky farms.* Bull. no. 343. (Lexington: Kentucky Agric. Experiment Station. 1933. Pp. 149-188.)

BRUNNER, E. DES. *The Farm act of 1933: its place in the recovery program.* Nat. crisis ser. (New York: Teachers Coll., Columbia Univ. 1933. Pp. 29. 25c.)

CHANG, L. L. *Farm prices in Wuchin, Kiangsu.* A reprint. (Nanking: Nanking Journal. 1933. Pp. 62.)

CHAPMAN, B. B. *The climatic regions of China.* Prel. rep. of the China Land Utilization Study. (Nanking: Univ. of Nanking, Coll. of Agric. and Forestry. 1933. Pp. 77.)

CLAYTON, C. F. and PEET, L. J. *Land utilization as a basis of rural economic organization: based on a study of land utilization and related problems in 13 hill towns of Vermont.* Bull. 357. (Burlington: Vermont Agric. Experiment Station. 1933. Pp. 144.)

FOWLER, H. C. *Seasonal variation in milk production under the basic rating plan.* Bull. 353. (Burlington: Vermont Agric. Experiment Station. 1933. Pp. 32.)

GADGIL, D. R. and GADGIL, V. R. *A survey of the marketing of fruit in Poona.* Pub. no. 3. (Poona: Gokhale Inst. of Pol. and Econ. 1933. Pp. viii, 184. Rs. 2-8.)

HACKER, L. M. *The farmer is doomed.* (New York: John Day. 1933. Pp. 31.)

HARTKEMEIER, H. P. *The supply function for agricultural commodities: a study of the effect of price and weather on the production of potatoes and corn.* Stud. vol. 7, no. 4. (Columbia: Univ. of Missouri. 1933. Pp. 79. $1.25.)

HEDRICK, U. P. *A history of agriculture in the State of New York.* (Geneva: N.Y. Agric. Experiment Station. 1933. Pp. 475. $3.)

JOHNSON, L. H. and MUSE, M. *Cash contribution to the family income made by Vermont farm homemakers.* Bull. 355. (Burlington: Vermont Agric. Experiment Station. 1933. Pp. 42.)

KIESSLING, O. E. *Mineral resources of the United States, 1930.* Part I. *Metals.* Part II. *Nonmetals.* (Washington: Supt. Docs. 1933; 1932. Pp. 1142; 876. $1.50, each part.)

———. *Minerals yearbook, 1932-33.* (Washington: Supt. Docs. 1933. Pp. xiii, 819. $1.25.)

KIRKPATRICK, E. L., MCNALL, P. E. and COWLES, M. L. *Farm family living in Wisconsin.* Research bull. 114. (Madison: Agric. Experiment Station. 1933. Pp. 46.)

KNAPP, J. G. *The hard winter wheat pools: an experiment in agricultural marketing integration.* (Chicago: Univ. of Chicago Press. 1933. Pp. ix, 180. $1.50.)

METCALF, R. *England and Sir Horace Plunkett: an essay in agricultural cooperation.* (London: G. Howe. 1933. Pp. 143.)

Muller-Einhart, E. *Mussolinis Getreideschlacht: italienische Landwirtschaft in Zeichen der Diktatur.* (Regensburg: G. J. Manz. 1933. Pp. 118.)

Orwin, C. S. *Financing the farmer: a scheme to provide short-term credit for agriculture.* (London: Clarendon Press. 1933. Pp. 27.)

Roush, G. A., editor. *Mineral industry.* Vol. 41. *1932: its statistics, technology and trade.* (New York: McGraw-Hill. 1933. Pp. 680. $12.)

Schiller, O. *Die Krise der sozialistischen Landwirtschaft in der Sowjetunion.* (Berlin: P. Parey. 1933. Pp. 82.)

Tobata, S. *Control of the price of rice.* (Tokyo: Japanese Council, Inst. of Pacific Relations. 1933. Pp. 53.)

Venn, J. A. *The foundations of agricultural economics, together with an economic history of British agriculture during and after the Great War.* 2nd ed. (Cambridge, Eng.: Univ. Press. New York: Macmillan. 1933. Pp. xx, 600. $8.50.)

The agricultural emergency in Iowa. By the Staff in Economics at Iowa State College. Reprint ser. no. J123. (Ames: Collegiate Press. 1933. Pp. x, 201. 75c.)

Reprints of ten articles, originally published as circulars of the Iowa Agricultural Experiment Station in 1932 and 1933. Topics discussed include the crisis in 1932, the Iowa tax situation, the mortgage problem, foreclosures, the domestic allotment plan, the price level, monetary inflation and tariffs and farm prices.

The agricultural outlook for 1934. U. S. Dept. of Agric. misc. pub. no. 182. (Washington: Supt. Docs. 1933. Pp. 110.)

Agricultural policy: report of the committee of the Chamber of Commerce of the United States. (Washington: Chamber of Commerce of the U.S. 1933. Pp. 14.)

A national plan for American forestry. Report of the Forest Service of the Agric. Dept. on the Forest Problems of the U.S. Vols. I and II. Sen. Doc. 12. (Washington: Supt. Docs. 1933. Pp. x, 1050; 1051-1677. $1.75.)

This report was prepared by the staff of the United States Forest Service, with some assistance from other federal and some state agencies, pursuant to the Copeland Resolution (Senate No. 175) of the 72nd Congress, 1st Session. The work of preparing the report was immediately under the direction of Earl H. Clapp, in charge of research in the Forest Service, who also prepared the excellent 80-page summary of the report which serves conveniently as an introduction. Of the 53 sections comprising the report, only 6 were prepared largely by the "Forest Economists" of the staff (R. E. Marsh, W. N. Sparhawk, Raphael Zon, and B. P. Kirkland). A section on "The agricultural land available for forestry" was prepared by C. I. Hendrickson of the Bureau of Agricultural Economics. The 327 pages in these seven sections, plus considerable portions of other sections, contain much essentially economic information and analysis, and constitute the best compilation of material available in this country on the economics of forestry.

The material presented is a well-balanced analysis of the full problem of forest land utilization, with sections on the recreational uses of such land, wild life resources, watershed and related influences (including protection against erosion) and grazing on forest ranges. It also considers the problems of federal and state aid, of regulation of private forestry, and of government versus private ownership. A section of nearly a hundred pages is devoted to "The status and opportunities of private forestry," and the con-

clusion is reached "that practically all of the major problems of American forestry center in, or have grown out of, private ownership."

The report recommends that 224 million acres of forest land be purchased by governments, 90 millions of this by the states, at the earliest date possible; that 191 million acres of new forest area be placed under fire protection, and that the standards of protection be raised on the 321 million acres now under protection. The area under intensive management should be raised to 70 million acres and preferably 100 million acres, in the next twenty years, this requiring planting on 25 million acres at the least. Such a plan if carried out will mean that the public will take over "slightly more than half of the commercial forest land, half of the timber-growing job, five-sixths of the non-commercial forest land, three-fifths of the forest ranges, four-fifths of the major influences on watershed protection, and eight-ninths of the acres to be set aside for forest recreation."

It is to be doubted if the problem is best conceived in terms of one form of land use, such as forest land use, even when such use is defined as broadly as it is here. Before any national program of forest land use is undertaken, the other alternative forms of use, principally agriculture and grazing, need to be analyzed as carefully as forest use has been in the present report.

John D. Black

Petroleum products. (New York: Texas Co. 1933. Pp. 80.)

Report on the grain trade of Canada for the crop year ended July 31 and to the close of navigation 1932. (Ottawa: H. M. Stationery Office. 1933. Pp. 206.)

Report of the Secretary of Agriculture, 1933. (Washington: Supt. Docs. 1933. Pp. 107.)

Wheat studies. Vol. x, no. 1. *British preference for empire wheat.* No. 2. *Price leadership and interaction among major wheat futures markets.* No. 3. *The world wheat situation, 1932-33: a review of the crop year.* (Stanford Univ., Calif: Food Research Institute. 1933. Pp. 33; 35-70; 71-142. 50c.; $1; $1.)

Manufacturing Industries

NEW BOOKS

Cortelyou, G. B. *The gas industry.* Address before Princeton Univ. in the Cyrus Fogg Brackett lectureship in applied engineering and technology, January, 1933. (New York: Author. 1933. Pp. 26.)

Ehrke, K. *Die Uebererzeugung in der Zementindustrie von 1858-1913.* Beiträge zur Erforschung der wirtschaftlichen Wechsellagen Aufschwung, Krise, Stockung, Heft 6. (Jena: Fischer. 1934. Pp. x, 480. RM.20.)

Haynes, W. *Chemical economics.* (New York: Van Nostrand. 1933. Pp. xviii, 310. $3.25.)

In his preface the author makes it clear that this book is addressed primarily "to the young recruit in the ranks of chemical industry," although students of chemistry and others curious about the chemical industry are mentioned. Part 1 (pp. 1-125) is given over to "Economic foundations," including production, supply and demand, cost, value, price, and distribution; Part 2, to "Historical background," including descriptive sketches on origins of industries and companies, war developments, cartels, consolidations, and mergers. The book will doubtless prove of value to the recruit as an introduction, but those who are concerned with the acute problems

of business economics in the chemical industry will probably be disappointed. The tone of the book is elementary and descriptive for the most part, and the sections on economics are more significant for the problems they suggest than for the treatment given. The author, justly I think, complains that professional economists have neglected the chemical industry and expresses the hope that his "amateur essay will direct their attention to these rich, untilled fields for research." The problems are undoubtedly real. For example, consider the problem of determining price policy in marketing cellophane; or the effect of the changing yen-dollar exchange rate during the past two years or so on the competitive positions of silk, rayon, and cotton; or the problem of rapid obsolescence of processes; or the social implications of increasing productivity; or the growing displacement of natural products by synthetic products. All these or similar problems and many more are touched on by the author. Clearly, there is work to be done here.

RALPH J. WATKINS

HELLMAN, F. S., compiler. *List of recent references on location of industries, including migration and decentralization.* (Washington: Library of Congress. 1933. Pp. 12.)

McCARTY, H. H. and THOMPSON, C. W. *Meat packing in Iowa.* Iowa stud. in bus. no. 12. (Iowa City: Univ. of Iowa. 1933. Pp. 138.)

MACK, R. H. *The cigar manufacturing industry: factors of instability affecting production and employment.* (Philadelphia: Univ. of Pennsylvania Press. 1933. Pp. xii, 140. $2.50.)

This brief study is apparently an attempt to examine the "factors of instability" (p. 2) in an important American manufacturing industry. Of the nine chapters only the fifth (pp. 60-74), "Factors of instability on the supply side," brings together any material of particular interest to the general economist. It treats the concentration movement, the changing regional distribution, the shift in the size of the producing unit, and the growth of the major corporations in the industry. While the other chapters may have some interest to the economic historian, they have very little importance to the economist. Very few of the basic economic questions either on the demand side or the supply side have been analyzed.

To the student in the field of economics a study of the special problem undertaken by Professor Mack is of significance primarily from the point of view of economic method and of sources of material available for an investigation of this type. Concerning the former, the author has omitted treating important aspects of his subject. With regard to sources enumerated in his bibliography, it is remarkable that only 19 pamphlets and documents, and 14 periodicals, have been listed (which, curiously enough, include *Printers' Ink* and *American Mercury*!).

Some of the points raised by the author in the concluding chapter (pp. 108-115) are worthy of notice. It is unfortunate that a much more careful development of these points was not undertaken by the writer. They include, for example: "displacement of labor in individual establishments in most cases, especially in the last five or six years, was accomplished with demoralizing suddenness" (p. 110); "union leaders are convinced that union interests are most closely identified with those of the small independent producers" (p. 111); "advertising technique in the future must be vastly improved" (p. 113); and "the amplitude of cyclical swings" varies according to the value of the product (p. 115).

C. J. RATZLAFF

MITCHELL, W. N. ***Trends in industrial location in the Chicago region since 1920.*** (Chicago: Univ. of Chicago Press. 1933. Pp. ix, 75. $1.)

Final report on the fourth census of production (1930). Part I. *The textile trades, the leather trades, the clothing trades.* (London: H. M. Stationery Office. 1933. Pp. xviii, 472. 7s.)

Transportation and Communication

NEW BOOKS

BRITTON, R. F. ***Why the people built our highways.*** A letter to Hon. Joseph B. Eastman, Federal Coördinator of Transportation. (Washington: National Highway Users Conference. 1933. Pp. 8.)

CLARK, T. D. ***The beginning of the L. & N.: the development of the Louisville and Nashville railroad and its Memphis branches from 1836 to 1860.*** (Louisville: Standard Printing Co. 1933. Pp. 107. $2.)

LEWIS, E. A., compiler. ***Laws relating to interstate and foreign commerce (through 73rd Congress, 1st Session): 1. Railroads. 2. Wire control. 3. Proclamations. 4. Executive orders. 5. Termination of federal control of railroads. 6. Relinquishment of federal control, proclamation. 7. Emergency railroad transportation act, 1933.*** (Washington: Supt. Docs. 1933. Pp. 238. 15c.)

LOBECK, A. K. ***Airways of America.*** Guidebook No. 1, United Air Lines. (New York: Geographical Press, Columbia Univ. 1933. Pp. 207.)

In transportation economics the field of geography in its interrelationships to the pathways of trade and commerce on land, sea, and in the air, is often partially or wholly neglected. Perhaps the author, a trained physiographer, had this fact in mind in writing the present volume since his description of the transcontinental route of the United Air Lines is, with the exception of one chapter, entirely from the background of his training. Dr. Lobeck has produced a unique volume, of interest to the personnel in the fields of transportation and physiography.

Assuming an interest and little knowledge on the part of the air traveler in the various forms of plains, plateaus, mountains, glaciers, agricultural pursuits, natural vegetation, climate, and weather, the author has divided the route from New York to San Francisco into 39 sections. For each of these sections there is prepared an ingenious route map or bird's-eye diagram to be consulted while in flight over the region covered. In many cases photographs and line drawings illustrative of geographical terms accompany the respective sections. The text for each section is simple and popular in style, yet adequately done.

Supplementary to the main sections of the book are a group of chapters for less hurried reading, giving a general account of the physiographic, agricultural, vegetative, climatic, and seasonal aspects of the United States, as well as chapters on airways and navigation in general, and notes on the preparation for an air trip, and air maps. Finally, there is appended a list of references which, while satisfactory from the geographical viewpoint, might well have been improved from the transportation angle. This volume is not designed to be a contribution to research but is highly stimulating to the view that there should be more geography in transportation and more transportation in geography in college courses.

LESLIE A. BRYAN

Miller, S. L. *Inland transportation principles and policies.* (New York: McGraw-Hill. 1933. Pp. xviii, 822. $4.)

This book is a revision of the author's *Railway Transportation,* which appeared in 1924. Though there has been some rearrangement of material, some elimination, and some addition for the purpose of bringing the work down to date, yet the only important change is the inclusion of a new section entitled "Modern transport," which consists of eight chapters dealing with motor transportation, inland waterways, air transportation, pipe lines, and transportation policy.

The author, with commendable diligence, has collected a mass of information with regard to transportation, and has handled it well. The treatment is accurate, clear, and sane. But the reviewer finds himself in considerable disagreement with the author as regards the suitability of much of this material for classroom purposes. There is an excess of historical detail, statistical data, and mere description of various types of service; and not enough of "principles."

Eliot Jones

Pelley, J. J. *Concerning the size and weight of commercial motor vehicles.* Address before the Interstate Bus and Truck Conf. of the Am. Legislators' Assoc. at Harrisburg, Pa., Oct., 1933. (Harrisburg: Am. Legislators' Assoc. 1933. Pp. 16.)

Rankin, E. R., compiler. *Radio control and operation: debate handbook.* Ext. bull., vol. xiii, no. 3. (Chapel Hill: Univ. of North Carolina Press. 1933. Pp. 80. 50c.)

Thompson, S. *Railway statistics of the United States of America for the year ended December 31, 1932, compared with the official reports for 1931 and recent statistics of foreign railways.* (Chicago: Bureau of Railway News and Statistics. 1933. Pp. 136.)

Vitale, A. *La navigazione interna in Italia.* (Rome: Sindacato Italiano Arti Grafiche. 1933. Pp. 346. L.25.)

An economic survey of motor vehicle transportation in the United States. Spec. ser. no. 60. (Washington: Bureau of Railway Econ. 1933. Pp. xiv, 219.)

Federal transportation legislation. Reply of the National Industrial Traffic League to questionnaire dated November 4, 1933 issued by the Federal Coördinator of Transportation. (Chicago: Nat. Industrial Traffic League. 1933. Pp. 22.)

Freight commodity statistics: Class I steam railways in the United States, year ended December 31, 1932. Statement no. 33100. (Washington: Supt. Docs. 1933. Pp. 125. 80c.)

Trade, Commerce, and Commercial Crises

Agriculture and the Trade Cycle: Their Mutual Relations, with Special Reference to the Period 1926-1931. By John H. Kirk. (London: P. S. King. 1933. Pp. xiii, 272. 12s.)

Mr. Kirk analyzes two problems: first, the effects of world economic disturbances upon agriculture, and, second, the responsibility of agriculture for trade cycles.

First, he discusses such questions as the inelasticity of the supply of

agricultural products and of the demand for them, the rigidity of the distribution costs for agricultural products, and how these characteristics of agricultural economy resulted in overproduction and agricultural crisis. In Chapter 6 he discusses particularly the causes of present agricultural overproduction and different schemes to remedy it, such as valorization by storage, restriction of production and curtailment of capacity.

In the second part of the book he plunges into the theory of the trade cycle. This is more stimulating and suggestive; but, on the other hand, it arouses more doubts. It is true that the author himself says in the preface that he hopes his conclusions, which seem to him novel, "will not be taken too seriously" and that he publishes them in the present form only because of "the unlikelihood of finding time for further work in the near future." Most of his quantitative analyses, which he prefers to qualitative ones, are "purely conjectural" as he recognizes himself (p. 73). Much of the quantitative analyses, he should have added, he could simply have taken from several recent publications upon the same problem in America and other countries. Unfortunately these were not known to the author. But we repeat, the analysis is stimulating even in the present tentative form.

Especially interesting to the reviewer seems the idea that though agricultural fluctuations do not completely explain the trade cycle, they are particularly important for the timing of trade cycles, for the explanation of the turning points and limits of separate phases of the cycle. Mr. Kirk emphasizes the existence of the three to four-year cycle in agricultural production; but he tries to explain it not so much by the influence of exterior (climatic) factors as by the reaction of farmers to price fluctuations and the duration of the productive period. It seems to the reviewer that this reaction contributes to the explanation of the cycle in crop production only in a small degree. With few exceptions (as for instance cotton in America) acreage correlates only slightly with preceding prices; and, on the other hand, cyclical fluctuations of crops are more characteristic of regions with extensive undiversified farming, where yield depends less upon the intensive forms of cultivation (no use of fertilizers). Pre-war Russia with its peasant farming reacting only slowly and slightly upon price changes had at the same time the greatest cyclical fluctuation of crops.

It seems to the reviewer that the interrelation between agricultural and industrial cycles is not quite correctly interpreted by the author. He emphasizes the fluctuations in the purchasing power of farmers as the most important factor. If it is so for the present depression, it was not so for cycles during several preceding decades, when purchasing power of farmers (for short periods) was more or less stable under the influence

of the change in the opposite direction of prices and volumes of crops. On the other hand, the author minimizes the most important factor connecting agricultural and industrial fluctuations—the cyclical changes in the ratio of agricultural to industrial prices affecting the costs of manufacturing (p. 157). Mr. Kirk too readily accepts the theory of inelasticity of demand for agricultural products. The reviewer has demonstrated[1] that the demand for agricultural products for exports is elastic: In the years of large crops and low prices, agricultural exports from America were larger and more valuable than in the years with small crops, and this contributed greatly to the fluctuation of business in pre-war America. The same tendencies were shown for pre-war Russia by Professor S. A. Pervushin. According to Mr. Kirk's theory, because of the inelasticity of demand, bumper crops lowered the purchasing power of agriculture and caused business to decline. History shows that years of good crops with low agricultural prices generally initiate revival of business. So in many points, the tentative theories of Mr. Kirk require reconsideration; but they are suggestive.

VLADIMIR P. TIMOSHENKO

University of Michigan

NEW BOOKS

BACHI, R. *Le regioni nell' economia nazionale*. (Rome: A. Signorelli. 1933. Pp. 57. L. 6.)

While studies of international trade and, in lesser degree, of trade between the sections of a large country have been numerous, the theory of interregional trade, as it might refer to small as well as to large countries, has been generally neglected. In the present study, strictly theoretical as it is in intention, Professor Bachi has clearly in mind a small or much diversified country such as Italy or Spain.

Economic regions have generally a natural basis, but are often further marked off from surrounding regions by historical and civil differences which accentuate their exclusiveness. Bachi first examines interregional distribution and circulation of productive factors, including migrations of entrepreneurs and laborers and the movement of savings and wages; then the circulation of products and money between regions, with discussion of the interregional balance of trade; next the interregional circulation of wealth, viewed dynamically, with respect not only to seasonal, cyclical and secular differences, but also to accidental differences, the result perhaps of political changes or of natural disasters. Finally, he treats various questions of policy that the region must face and others that the nation must face in its dealings with the region. R. F. FOERSTER

EDWARDS, F. K. *Principles of motor transportation*. (New York: McGraw-Hill. 1933. Pp. x, 377.)

EPPSTEIN, P. *Die Symptomatik in der Konjunkturforschung*. Veröffentlichung

[1] "The Role of Agricultural Fluctuations in the Business Cycle," *Michigan Business Studies*, vol. ii, no. 9 (1930).

en der Frankfurter Gesellschaft für Konjunkturforschung, neue Folge, Heft 6. (Leipzig: Buske. 1933. Pp. 96. RM. 4.80.)

It is the purpose of this monograph to make a preliminary critical study of the methods of research and of the materials available in the field of business cycle theory as preparation for a later study of the *symptomatology* appropriate to this field. Such a *symptomatology*, it is the author's opinion, should provide the systematic body of knowledge necessary for diagnosis of the business situation at any time, and thus should supply the means of determining through which phase of the cycle business is passing at that time.

There are three steps necessary. First, there must be formulated a body of theoretical principles which describe in functional terms the fundamental characteristics of the cycle. Second, upon the basis of this theoretical analysis, the phases of the cycle may be delineated. Finally, in statistical terms, a *symptomatology* must be constructed, by means of which the phases of the cycle may be identified.

With these problems in mind, the author makes a critical appraisal of the contributions found in recent and contemporary literature of the subject. He pays particular attention to the works of Helmut Wolff, Mombert, Röpke, Paul Deutsch, Schäfer, A. Müller, Albert Hahn, Wagemann, Spiethoff, Schumpeter, Lederer, and Löwe.

B. F. Haley

Federici, L. *Crisi e capitalismo. Una guida attraverso il caos mondiale.* (Milan: U. Hoepli. 1933. Pp. xv, 391. L.15.)

Hayek, F. A. von *Monetary theory and the trade cycle.* Translated from the German by N. Kaldor and H. M. Croome. (London: J. Cape. 1933. Pp. 244.)

Hawtrey, R. G. *Trade depression and the way out.* (New York: Longmans. 1933. Pp. ix, 183.)

Hoffman, R. J. S. *Great Britain and the German trade rivalry, 1875-1914.* (Philadelphia: Univ. of Pennsylvania Press. 1933. Pp. 375. $3.50.)

Ogilvie, F. W. *The tourist movement: an economic study.* (London: P. S. King. 1933. Pp. xv, 228. 12s. 6d.)

Expenditures of foreign travellers have long been known to be one of the important "invisible" items in international trade. This is probably the first economic and statistical monograph devoted to this increasingly important subject. Seekers of picturesque description of tourist movements will find nothing in this book, but students of international trade will find much valuable information marshalled for them. Students of practical statistical technique will find interesting treatment of the difficult task of measuring the tourist movement—internal and external movement, length of stay (best measured by the "in-and-out lay" method), and amount of expenditure. Part 2 is a detailed treatment of the movement in the United Kingdom. Part 3 gives a summary table of the international balances of twenty-four countries. It is interesting to note that Canada is estimated to have received more from tourists (mainly from the United States) recently than from wheat exports; and that American tourists in recent years have spent more money abroad than the United States has received in payments on war debt.

A. B. W.

Papi, G. V. *Escape from stagnation: an essay on business fluctuations.* (London: P. S. King. 1933. Pp. vii, 165. 6s.)

Professor Papi claims to have formulated a new explanation of the business cycle, which reveals the indispensable factor without which no cycle can take place. This is to be found in "errors of defect and of excess" made by entrepreneurs in their attempts to adjust production to demand. A "favorable event," an invention or a change in demand, supplies the *primum mobile,* producing profits over a considerable field. Entrepreneurs affected undertake to expand production but are not immediately able to do so sufficiently to realize to the full the new possibilities of profit. A progressive increase of profits ensues as production is extended. Ultimately, however, errors in predicting costs, and failures of management to live up to expectations, complicated by extensions of fixed capital, lead to an undue expansion and the disappearance of the profit margin. Subsequently another set of errors, sometimes leading to too small and sometimes to too large a restriction of production, feed the depression. Even in a society where there were no banks this mechanism, it is shown, would provoke cyclical fluctuations.

The author uses the theory to refute monetary explanations of the cycle's origin. Unfortunately the abstraction of credit in the analysis does not eliminate monetary assumptions, but these are left only implicit. In general the effect of banking, it is argued, is to accentuate the "errors" of entrepreneurs, and so to aggravate the cycle. Only under an inconvertible paper money, which the author seems to consider must always be subject to political machination, are other effects conceded. The conclusion of the book is that neither inflation nor a resumption of an international standard can furnish a road out of depression. In default of a new "favorable event" the only course is to undertake far-reaching cost reductions, and thorough-going rationalization. To this end the forces of organized government should be bent.

Professor Papi's volume, in spite of its rather popular title, is a closely knit exercise in business cycle theory. It calls attention in a new way to forces of which this theory must always take account. Though there will probably be few who are satisfied with the detailed analysis in all its parts, the method of approach is suggestive. It furnishes a very wholesome antidote to the current emphasis on monetary remedies. The common sense of some of its conclusions is certainly opportune today. Herbert Tout

Schluter, W. C. *Economic cycles and crises: an American plan of control.* Prepared for press by F. C. James and D. M. Schluter. (New York: Sears Pub. Co. 1933. Pp. 378.)

Schmidt, P. H. *Die geographischen Grundlagen der Verkehrswirtschaft.* (Jena: Fischer. 1934. Pp. vi, 100. RM.4.50.)

Tebbutt, A. R. *The behavior of consumption in business depression.* (Boston: Harvard Univ. Bur. of Bus. Res. 1933. Pp. vi, 21. $1.)

This study is a welcomed contribution to the growing field of statistical analysis of the relation between consumption and production. Mr. Tebbutt demonstrates that in some lines of consumption goods—food, clothing, fuel and light, principally—consumption does not decline materially from year to year even though we change from general prosperity to depression. He has gathered statistics of consumption, as represented by sales and price movements in department stores, tonnage moved by railroads, sales of fuel

and light, gasoline, cigarettes and telephone service. A comparison of these sales is made with indexes of production, particularly of producers' goods, which declined sharply between 1929 and 1932.

The movements of these data lead the author to the following conclusion: purchases of consumption goods remained practically the same during prosperity and depression but production of producers' goods declined drastically; hence that decline seems to account for the depression. If we are to come out of the depression and presumably stay out of depressions we must keep production of producers' goods in balance with consumers' goods consumption.

Data as to consumption are meager. Consequently, the conclusions to be drawn from them are of questionable validity. Tebbutt, however, might have drawn more heavily on the family budget studies made since 1918. These suggest that consumer expenditures for the miscellaneous items, for a period of time prior to 1929, were much more important than in 1918. The so-called producers' goods industries are dependent on that type of consumption—automobiles, housing, and vacations are examples. The decline in their activity then may be due to drastic curtailment of consumption in the miscellaneous fields not adequately treated in this study, and their prosperity, contrary to Tebbutt, may be restored by what the Administration is doing. The magnitude of the declines in consumption of the two types of goods need not be the same.

One might observe that the complicated and roundabout method of production obscures but does not invalidate the theory that producers' goods are not needed if there is no market for the consumption goods they produce. Consequently, it would seem, if consumption does not decline then production of producers' goods should not decline and vice versa.

Louis Bader

International trade statistics, 1931 and 1932. (Geneva: League of Nations. 1933. Pp. 365. $2.50.)

Report on volume of water-borne foreign commerce of the United States, by ports of origin and destination, fiscal year 1932. (Washington: Supt. Docs. 1933. Pp. 294. $1.25.)

Review of world trade, 1932. (Geneva: League of Nations. Boston: World Peace Foundation. 1933. Pp. 64. 50c.)

A continuation of the series previously published. This series undoubtedly is the most helpful aid in analyzing trade movements throughout the world and is prompt in publication.

Accounting, Business Methods, Investments and the Exchanges

The Triumph of Mediocrity in Business. By Horace Secrist. (Chicago: Northwestern Univ. Bureau of Business Res. 1933. Pp. xxix, 468.)

The author has made a careful statistical study of various business ratios which leads him to the conclusion that the level of performance in industry tends to seek the average. For instance, in the case of the ratio of gross margin to net sales in department stores, those stores which show better than average ratios in any year tend to show less efficient

ratios in subsequent years. Conversely, those stores which in any year have poorer than average ratios tend to improve their performance in subsequent years. The basic data cover a fairly wide range of business operations in the fields of retailing, banking and transportation. The same sort of "regression to type" is shown in every case where human control influences the results. This tendency does not appear in statistical series which deal with factors not subject to human control. Consequently the author concludes that the interaction of competitive forces in an interdependent business structure guarantees "the triumph of mediocrity."

The approach to the problem is thoroughly scientific. The basic data and the methods used are clearly set forth. The implications of the statistical procedure are fully discussed. The reader cannot but come to the conclusion that here is a thorough investigation into an economic phenomenon from an objective point of view. Such an approach is a welcome change from the frequent theoretical discussion which piles one unproved assumption upon another.

The author's interpretation of the phenomenon which he has so ably uncovered is perhaps open to question. The study deals entirely with ratios. Business efficiency, however, cannot be judged by operating ratios. The touchstone is rather total profits earned. To have the highest ratio of gross margin to net sales, or the lowest ratio of expense to sales, is not necessarily synonymous with earning the maximum profit. The reviewer's experience is that business men consciously endeavor to carry their activities beyond the point where diminishing returns set in and up to the point where an increment of expenditure results in no addition to gross profit. Thus a credit manager who has no bad debts—a perfect ratio—is held to be inefficient, on the ground that his strictness has no doubt prevented the securing of orders the profits on which would have more than offset a few losses on bad accounts. In a specific instance familiar to the reviewer, the percentage of sales expense to net sales for a certain company was abnormally low in one district and abnormally high in another. The action taken was to transfer a salesman from the high-expense to the low-expense district. The result was to make the ratios of both districts approach the average, and also materially to increase the net profits of the company. It is well known that a high ratio of gross margin to sales is likely to stimulate increased expenditures for advertising and other forms of sales promotion which make the ratio less impressive but swell the profit account.

Thus, although "mediocrity" tends to triumph, we must recognize that this tendency is not inconsistent with maximum efficiency as long as we have a business system motivated by the desire for individual profit.

Robert F. Elder

Massachusetts Institute of Technology

Modern Industrial Organization: An Economic Interpretation. By HERBERT VON BECKERATH. Translated by ROBINSON NEWCOMB and FRANZISKA KREBS. (New York: McGraw-Hill. 1933. Pp. xiii, 385. $4.00.)

The scope of this study is narrower than its title might suggest. The author excludes from his survey (1) agriculture, (2) handicraft and service trades, (3) finance, (4) transportation and public utilities, (5) commerce. This confines the purview of the book to large-scale manufacture, construction and mining.

The central theme is the problem of control. How far and in what way do each of the multifarious forces shaping the policies of the entrepreneurs who exercise control in modern industry contribute to or obstruct the realization of an economical and a culturally salutary utilization of productive resources? The basic scheme of the analysis is a division of the considerations bearing upon business policy into: (1) technical, (2) "organizatory," (3) financial, and (4) commercial. Following the introductory chapters, chiefly historical (and for a brief interpretative summary, well done), the author proceeds to analyze, in accordance with this schematic outline, the structural varieties and functional significance of: (a) infra-enterprise relationships (Chapters 4-7, pp. 42-210), (b) inter-enterprise relationships (Chapter 8, pp. 211-297), and (c) industrial-governmental relationships (Chapters 9-10, pp. 298-392).

The discussion of the size of plants, employee relationships, raw material sources, the corporate form of enterprise and capital assembly, the nature of the market demand and its susceptibility to manipulation, and, above all, the factor of the personality and peculiar psychological characteristics of entrepreneurs (*e.g.*, in different countries, in new industries relative to old, and at different periods trade-cycle-wise) is acute and discriminating. These chapters constitute, in the reviewer's judgment, the best part of the book. The treatment is realistic, without being merely descriptive. The influence of the war, of inflation, and of the business cycle are not neglected, yet the author preserves a steady grip upon underlying and abiding tendencies. Consider, however, the assertion that, "As a rule, the interests of entrepreneur and enterprise may be looked upon as identical" (p. 71).

The discussion of cartel structure and policies is illuminating, especially to the American reader. The cartels are interpreted chiefly as devices for reducing friction in the otherwise competitive operation of industry. But their efficacy is regarded as very limited, despite the concession that, "as a rule, the cartel price will lie somewhat above the competitive level" (p. 264). They are hindered in the pursuit of profit by internal rivalries. They do not go far enough. As a transitional form

of industrial organization on the way to comprehensive mergers they may be tolerated. "Only the combine which has 'matured' into a Gesamtunternehmung and has achieved a complete unification of the members' interests is in a position to realize all the organizatory and technical advantages in its form of organization" (p. 286).

The concluding chapters on the relationship of government and industry survey not only various alternatives of public policy in the direct regulation of industry, but as well the industrial incidence of fiscal policies, social welfare measures, public works, and cultural aims and standards. In this section, perhaps because of its essentially polemical character, the author is least convincing. The invasion of extra-economic considerations in the administration of industry through such devices as cartel courts, works councils, social insurance legislation, credit controls and the like is earnestly protested. "The liberal capitalistic system" retains its "proved superiority" over alternative forms of industrial organization, despite "certain adverse effects of industry on culture" (p. 365). The latter can be overcome or ameliorated not by a change in the system, but only by confronting it "with an equally effective cultural system" (p. 366). For "private capitalistic industry is the only economic organization able to retain the present civilized standards of closely populated industrial countries" (p. 363). Granted, for the sake of argument, quaere: is this an endorsement or an indictment?

Myron W. Watkins

New York University

The Rationalization Movement in German Industry: A Study in the Evolution of Economic Planning. By Robert A. Brady. (Berkeley: Univ. of California Press. 1933. Pp. xxi, 466. $5.00.)

This book constitutes not only a thorough treatment of the highly significant rationalization movement but also a revealing history of German industrial development since the war. The term rationalization is used to describe the large-scale introduction of various devices, such as scientific management and Ford's continuous processes, for increasing productive efficiency. The author first considers rationalization generally, then as it was applied in leading industries in Germany and, finally, with respect to the attitude of labor, its political and cultural implications, and its effect on cyclical instability. It is significant that the primary aim of rationalization, as the author points out, is to increase profits; and any other benefits are by-products, though enterprisers customarily disguise this fact. There is point, therefore, in the socialists' contention that rationalization—which is individual rather than general planning—should be accompanied by comprehensive economic planning of a broadly social nature that will take into consideration all effects of

the changes introduced and will not judge them solely on the basis of profits. And it follows, also, that the sub-title of this book is slightly misleading; it is not to be inferred that this is a study in economic planning of a general sort; and only time will tell whether it is true that this is a study in the *evolution* of economic planning. It is, rather, a study of the application of science to economic life; while this is an absolutely essential part of economic planning, it is nevertheless only a part.

The rationalization movement in Germany was characterized by a negative phase involving the closing down of less efficient plants and the scrapping of antiquated equipment, and a positive phase consisting of the introduction of scientific methods in production and distribution. The chief fault with rationalization appears to have been the way it was carried out, and this was partly due to the mixing of social control and laissez faire. Rationalization and cartelization went together in Germany and much of the criticism directed against rationalization rightfully should be placed at the door of the monopolistic practices of cartels. A conspicuous feature of rationalization is what the author calls its "impersonalization"; and perhaps the most serious manifestation of this in Germany was the aggravation of the insecurity of the worker. Moreover, workers displaced as the movement progressed were reabsorbed "in detail but not in the large," though this may have been a temporary phenomenon. The principal difficulty in the German situation at present lies in the fact that planning to be effective in salvaging the economic life of the country must be international in scope (p. 324), and this is blocked by nationalism inside and outside the country.

The present volume is timely, and represents the result of research that is both diligent and intelligent. Its chief defect is its rather trusting acceptance of the latest fads in economic thinking and writing and its impatience with the more or less orthodox views.

C. R. Whittlesey

Princeton University

NEW BOOKS

Adams, A. B. *Our economic revolution: solving our depression problems through public control of industry.* (Norman: Univ. of Oklahoma Press. 1933. Pp. xiii, 196. $1.50.)

Alford, L. P., editor. *Cost and production handbook.* (New York: Ronald. 1934. Pp. 1600. $7.)

Ayres, L. P. *The economics of recovery.* (New York: Macmillan. 1933. Pp. vi, 189. $1.75.)

Babson, R. W., editor. *The world of business.* (New York: University Soc. 1933. Pp. xvi, 350.)

Barnes, I. R., editor. *Cases on public utility regulation.* (Ann Arbor: Edwards Bros. 1933. Pp. 279. $3.50.)

Batson, H. E. *The price policies of German public utility undertakings.* (New York: Oxford. 1933. Pp. 244. $3.75.)

Beard, C. A. and Smith, G. H. E. *The future comes: a study of the New Deal.* (New York: Macmillan. 1933. Pp. xii, 178. $1.75.)

Boyle, J. E. *Future trading under the tobacco contract: what it is and what it does.* (New York: N. Y. Tobacco and Commodities Exchange. 1933. Pp. 27.)

Brady, R. A. *The rationalization movement in German industry: a study in the evolution of economic planning.* (Berkeley: Univ. of California Press. 1933. Pp. xi, 466. $5.)

Brown, D. V., and others. *The economics of the recovery program.* (New York: McGraw-Hill. 1934. Pp. xii, 188. $1.50.)

Clark, F. E. *Principles of marketing.* Rev. ed. (New York: Macmillan. 1932. Pp. xv, 657. $3.75.)

Ten long years after the appearance of the original version of this textbook, Professor Clark has revised it. And well he might. Important changes have taken place in both marketing institutions and marketing methods during this interval. The effects of these changes are mirrored in the pages of the new offspring. The revised edition contains nearly 100 pages more of textual material than the original edition, many new graphs and diagrams to illustrate the text, and footnotes too numerous to mention. References to recent studies in the field of marketing show clearly that the author is alive to significant developments in marketing functions and methods—in grading, advertising, market news and transport, in coöperative marketing, and in the entire field of retailing, to cite only a few of them.

While the original structure and the functional approach of the text have been retained, many improvements may be noted. A chapter has been added on "Recent developments in retailing." The discussions of "Marketing manufactured products" and of "Large-scale retail establishments" have been enlarged. The chapter on "Coöperative marketing" has been revised. And finally the chapter on "The cost of marketing," which constitutes the crux of the marketing problem, has been appreciably strengthened—and that is saying about as much as can be said for any textbook in this field.

The volume contains a well-selected body of authoritative material, which—from the standpoint of arrangement, analysis, and interpretation—makes an effective tool for teaching. Furthermore, it is supplemented by an up-to-date book of readings.

J. S. Robinson

Cooper, H. E. *The application of standard costs to factory overhead expenses.* (Baltimore: Johns Hopkins Press. 1933. Pp. 28.)

Crowther, S. *America self-contained.* (New York: Chemical Foundation. 1933. Pp. 340.)

Donald, W. J. *Trade associations: management policies, organization, personnel, services.* (New York: McGraw-Hill. 1933. Pp. xiv, 437. $4.)

Interest in trade associations has increased with the development of codes under the NRA. This volume is especially designed for the business man and association executive. It covers the preliminary organization, membership, officers, meetings, services.

Doubman, J. R. *Sales management today.* Edited by William M. Schuyler. (New York: Sears. 1933. Pp. 331. $3.)

DUNKMAN, W. E. *Qualitative credit control.* (New York: Columbia Univ. Press. 1933. Pp. 345. $3.)

FICKEISEN AND RICHARDSON and KENNEDY, K. *Securities act of 1933 and Corporation of Foreign Bondholders act, 1933: an analysis comprising a series of questions and answers.* (Los Angeles: Parker, Stone and Baird. 1933. Pp. 95. $1.50.)

FLORENCE, P. S. *The logic of industrial organization.* (London: Kegan Paul, Trench, Trubner. 1933. Pp. xi, 280. 10s. 6d.)

GASKILL, N. B. *The National Industrial Recovery act and what it means to the accountant.* (New York: Nat. Assoc. of Cost Accountants. 1933. Pp. 57.)

GORDON, S. *Law and procedure under the Bankruptcy act. Supplement: United States bankruptcy act, with annotations.* (New York: Prentice-Hall. 1933. Pp. 492.)

HANKIN, F. and MACDERMOT, T. W. L. *Recovery by control: a solution for Canada.* (Toronto: J. M. Dent. 1933. Pp. ix, 360. $2.)

HARRISON, J. L. *Economics of construction management.* (Chicago: Gillette Pub. Co. 1932. Pp. vi, 330.)

HETTINGER, H. S. *A decade of radio advertising.* (Chicago: Univ. of Chicago Press. 1933. Pp. xxii, 354. $3.)

HIMMELBLAU, D., and others. *Fundamentals of accounting.* Rev. ed. (New York: Ronald. 1933. Pp. 250. $2.50.)

HOOPER, W. D. *Operating results of Ohio wholesale grocers—year 1932.* (Columbus: Ohio State Univ. Bur. of Bus. Res. 1933. Pp. 31. 50c.)

HOYT, H. *100 years of land values in Chicago.* (Chicago: Univ. of Chicago Press. 1933. Pp. xxxii, 519. $5.)

ISAACS, M. *Professional accountancy training in collegiate schools of business.* (Far Rockaway, N.Y.: Author. 1933. Pp. 152.) Thesis for doctor's degree at Columbia University.

JONES, B. *Debt and production: the operating characteristics of our industrial economy.* (New York: John Day. 1933. Pp. xi, 147. $2.50.)

JUSTIN, J. D. and MERVINE, W. G. *Power supply economics.* (New York: Wiley. 1934. Pp. xiii, 276. $3.50.)

Written for executives and engineers as an aid to obtain minimum production cost.

KIMBALL, D. S. *Principles of industrial organization.* 4th rev. ed. (New York: McGraw-Hill. 1933. Pp. xvii, 460. $4.)

For nearly two decades Professor Kimball's *Principles* has been regarded as a standard text on the subject of industrial organization. This revised edition (the fourth) will doubtless maintain this position and earn a wide acceptance among engineering, economics, and business courses in the field. The book is outstanding for its very excellent treatment of the internal organization and procedures of industrial enterprises, and for its consideration of industrialism from the broader point of view of economic organization in general. New chapters in this edition on the formation and maintenance of policies, equipment policies, measures of management, and mechanization of industry fill important gaps in the earlier editions.

In view of the very significant changes which have occurred during the last few decades in the size, ownership, and control of industrial enterprises, Professor Kimball might profitably have allowed himself more space in which to portray present industrial organization and control.

Certainly on the topic of ownership and control supplementary reading in such books as C. S. Tippetts and S. Livermore, *Business Organization and Control,* and A. A. Berle and G. C. Means, *The Modern Corporation and Private Property* will be worth while if not necessary.

The wide use of the term *rationalization* in Europe and its increasing use in the economic and business jargon of this country would seem to warrant at least its recognition and definition in a book of this sort. While Professor Kimball ignores the term, he does not ignore the procedures to which the term refers. Many of these he discusses in considerable detail, with objectivity and balanced judgment, and as a recognized authority.

ROBERT D. CALKINS

KISSAN, E. D. and WILLIAMS, L. D. *Investment in stocks and shares: a complete guide to the methods of investment in stock exchange securities.* (New York: Pitman. 1933. Pp. 214. $2.50.)

LITTLETON, A. C. *Accounting evolution to 1900.* (New York: Am. Inst. Pub. Co. 1933. Pp. xi, 368.)

McGINLEY, L. *Public accounting procedure: a working manual on audits, systems and income taxes.* (New York: Gregg Pub. Co. 1933. Pp. ix, 169.)

MAGEE, J. D., and others. *The National Recovery program.* (New York: Crofts. 1933. Pp. 80. 50c.)

MEAD, E. S. *Corporation finance.* 7th ed. (New York: Appleton-Century. 1933. Pp. xxv, 726.)

MONTGOMERY, R. H., editor. *Financial handbook.* 2nd ed. (New York: Ronald. 1933. Pp. xlviii, 1628. $7.50.)

NEWLUND, W. W. *The finance manual: a handbook containing fundamental interest formulæ and interest tables.* (Pekin, Ill.: Author, 1002 Hamilton St. 1933. Pp. 280. $4.)

PIQUET, H. S. *Outline of the "New Deal" legislation of 1933.* (New York: McGraw-Hill. 1933. Pp. v, 90. 60c.)

Written under date of September, 1933, it contains a serviceable outline of the 18 laws which constitute the New Deal. The outline is factual, without appraisement. Blank pages for students' notes are provided.

ROSE, D. C. *The practical application of investment management.* (New York: Harper. 1933. Pp. ix, 286. $2.50.)

A revision of *A Scientific Approach to Investment* published in 1928, this is called by the author "a new and supplementary volume, extending and elaborating the empirical theory evolved in 1928." The three parts of this work treat: (1) the working of the principles laid down in 1928, during the subsequent five years; (2) the ultimate worth of long-time investments; (3) a critical analysis of the "new profession of investment counsel."

ROST, O. F. *Distribution today.* (New York: McGraw-Hill. 1933. Pp. xi, 335. $3.)

The author, marketing editor of *Business Week,* describes the agencies of distribution, including the wholesaler, independent retailer, department store, chain store, voluntary chain, mail-order house, truck distribution, canvasser, and manufacturer's agent. Part 3 treats of policies, covering consignment selling, selective distribution, direct selling, and industrial selling. Part 4 analyzes distributive costs. The appendices contain the National Industrial Recovery act, the codes of the steel and the electrical manufacturing industries, and the code of fair competition for the retail trade.

RUGG, H. O. and KRUEGER, M. ***Study guide to national recovery: an introduction to economic problems.*** Pamph. no. 37. (New York: John Day. 1933. Pp. 48. 25c.)

SMITLEY, R. L. ***Popular financial delusions.*** (Philadelphia: Roland Swain. 1933. Pp. 345. $3.)

TAYLOR, J. B. and MILLER, H. C. ***Intermediate accounting.*** Vol. I. (New York: McGraw-Hill. 1933. Pp. 419. $3.)

TEELE, S. F. ***Department leasing in department stores.*** Bus. res. stud. no. 4. (Boston: Harvard Univ. Bur. of Bus. Res. 1933. Pp. viii, 39. $1.)

THORPE, G. C. and ELLIS, C. B. ***The federal Securities act manual: a treatise based on the federal Securities act of 1933 and the Corporation of Foreign Bondholders act, 1933, with forms, rules and regulation.*** (Cincinnati: Anderson. 1933. Pp. xvi, 422.)

WILCOX, J. J., compiler. ***NRA, the New Deal for business and industry: a bibliography, May-August, 1933, together with a list of official publications of other new governmental agencies.*** (Chicago: Am. Library Assoc. 1933. Pp. 78.)

WILLIS, H. P., and others. ***Economic aspects of calendar reform.*** (New York: World Calendar Assoc. Pp. 15.)

YOUNG, J. W. ***Advertising agency compensation in relation to the total cost of advertising.*** (Chicago: Univ. of Chicago Press. 1933. Pp. ix, 186.)

Boston Conference on Retail Distribution, 1933: a national forum for problems of distribution. Sponsored by the Retail Trade Board. (Boston: Retail Trade Board. 1933. Pp. 86. $3.50.)

Contains approximately 30 articles presented at the Fifth Boston Conference on Retail Distribution. Among the papers are "Trend of taxation of distributive enterprise," by Alfred G. Buehler; "Price control," by H. S. Person, and "What distribution can contribute to farm relief," by Mordecai Ezekiel.

Budget problems in university administration. Educ. stud. no. 1. (Denver: Univ. of Denver Bur. of Bus. and Soc. Res. and School of Commerce, Accounts and Finance. 1933. Pp. 8.)

Distribution and use of bituminous coal in Columbus, Ohio. I. Retail distribution of bituminous coal in Columbus, Ohio, by H. W. WIDENER and A. H. KIERKER. ***II. Choosing a household fuel,*** by R. A. SHERMAN. (Columbus: Ohio State Univ. Bur. of Bus. Res. 1933. Pp. 43. 50c.)

The Dow, Jones averages, with an explanation of the Dow theory. 7th ed. (New York: Barron's. 1933. Pp. 194.)

The ethical problems of modern accountancy. (New York: Ronald. 1933. Pp. v, 152. $2.)

This is a collection of five lectures delivered in 1932 under the William A. Vawter Foundation on Business Ethics at the Northwestern University School of Commerce, plus an introduction by Vanderveer Custis, chairman of the Vawter Lecture Committee.

The five lectures cover respectively the relation of the accountant to the investor, the stock exchange, the accountant's clientele, the investment banker and his profession. Professor Custis' introduction is a discussion of accountancy as a profession. The lecturers were Mr. George O. May, Mr. J. M. B. Hoxsey, Mr. Arthur Andersen, Mr. Eugene M. Stevens, and Professor J. Hugh Jackson. The positions of the various lecturers and their leadership in the fields of accountancy and in banking make this collection

a rather notable group of papers. The breadth of view shown is a sufficient reason to commend these discussions of ethics to any accountant.

W. P. Fiske

Federal Securities act of 1933: Corporation of Foreign Bondholders act of 1933, law, digest, regulations. (Washington: Internat. Bank. 1933. Pp. viii, 137.)

National Association of Cost Accountants year book, 1933. Proceedings of the Fourteenth International Cost Conference, New York, June 12-15, 1933. (New York: Nat. Assoc. of Cost Accountants. 1933. Pp. 313.)

National recovery measures in the United States. Stud. and rep., ser. B, no. 19. (Geneva: Internat. Labour Office. Boston: World Peace Foundation. 1933. Pp. viii, 224. $1.)

Securities act of 1933 and index. (Washington: Fischer, Bendheim and Fischer, and W. C. Taylor. 1933. Pp. 24, viii.)

Stock market diary. (San Francisco: Stock Market Diary Co. 1933. Pp. loose leaf. $3.50.)

Contains 101 forecasting rules and loose-leaf sheets or cards for recording stock transactions. "If you do no actual buying or selling, but are simply 'interested in the market,' this diary makes it possible for you to carry on a fascinating recreation."

Capital and Capitalistic Organization

NEW BOOKS

Fries, K. *Internationale Kartelle.* (Jena: Fischer. 1933. Pp. 64.)

Gray, J. H. and Levin, J. *The valuation and regulation of public utilities.* (New York: Harper. 1933. Pp. xi, 143. $1.)

McLaughlin, J. A., editor. *Cases on the federal anti-trust laws of the United States.* 2nd ed. (Cambridge: Author, Harvard Law School. 1933. Pp. 770. $7.)

Muhs, K. *Kartelle und Konjunkturbewegung.* (Jena: Fischer. 1933. Pp. vii, 132. RM. 6.)

Spirito, U. *Capitalismo e corporativismo.* (Firenze: Sansoni. 1933. Pp. xi, 156. L. 15.)

Labor and Labor Organizations

The American Federation of Labor: History, Policies and Prospects. By Lewis L. Lorwin and Jean A. Flexner. (Washington: Brookings Inst. 1933. Pp. xix, 573. $2.75.)

It is not easy to write a satisfactory study of the American Federation of Labor; but Mr. Lorwin and Miss Flexner have done as good a job as can be expected under the circumstances. The circumstances are: that the A. F. of L. is not so much a governing body as a representative of the national unions; that the material available on the Federation is so great that the author could hardly afford to ransack the half million letters of Gompers and Morrison to say nothing of the hundreds of thousands of replies; and that an investigator who did this would be greatly disappointed so far as Gompers' letters are concerned for they were written for posterity and all that is important is to be found between the lines.

Mr. Lorwin has avoided these difficulties by ignoring Gompers' and Morrison's huge correspondence and the incoming letters required for their interpretation, so that a "definitive" history of the A. F. of L. remains to be written.

The last chapter, "Interpretation and outlook," is the best, but it has little logical connection with what precedes it. In this chapter Mr. Lorwin discards Professor Commons' market interpretation of capitalist and trade-union evolution which the latter borrowed from Bücher and emphasizes the peculiarly American features of our development. He finds five points at which the A. F. of L. differs from European labor organizations—the five can be readily reduced to one, *i.e.*, that the A. F. of L. is not socialistic—and explains these five or this one by five conditions in the United States. These conditions are: the mobile nature of American industry which prevented social stratification of wage-earners; the heterogeneity of the working population; the peculiar way in which national consciousness has developed in the United States; the position of the skilled worker; the influence of the semi- and unskilled.

There is nothing peculiarly American about the last two of these; and the argument that national consciousness developed in different ways in the United States and Europe is both confused and confusing.

Finally, Mr. Lorwin turns to suggestions for reforming the A. F. of L. and to prognostication. He finds a "radical" trend in the Federation in its support of compulsory unemployment insurance, shorter hours fixed by legislation and economic planning. A prolongation of the depression will, he believes, accentuate this tendency. Business recovery may result in the slow degeneration of the unions but not their spectacular collapse. The trend is toward quasi-public or government unions, the free trade union having declined or disappeared everywhere. The monograph was written before the National Industrial Recovery act; and the results of the latter seem to support the conclusion that free unionism like free capitalism is coming to an end in some sort of compromise with government. Lorwin's suggestions for reform are not exciting. Most of them have been discussed over and over again in conventions. But the Federation does change and is changing slowly beneath the surface as becomes a human institution. Mr. Lorwin might well have studied these undercurrents in place of offering rather obvious suggestions for reform.

Norman J. Ware

Wesleyan University

NEW BOOKS

Barkin, S. *The older worker in industry: a study of New York State manufacturing industries. Report to the Joint Legislative Committee on Unemployment prepared under the auspices of the Continuation Committee of the New York State Commission on Old Age Security.* (Albany: State House. 1933. Pp. 467.)

This is the most exhaustive volume which has yet appeared on the problem of the industrial trials of the older worker. The report elaborates the development of the controversy, the analysis of its nature and incidence and the policies which would render its handling socially efficacious. The work is well documented, and it is likely to remain the standard treatment of this subject for some time.

There is no question of the precariousness of the position of the older worker in American industry today and this is brought out fully in Dr. Barkin's report. Technological changes which place a premium upon alertness and speed have combined with persistent unemployment to place the older worker upon the defensive. He may be "as good as" a younger man, but the day is gone when he can claim to be better. The handicaps of the older worker are especially in evidence when he attempts to secure a new job after he has reached the middle forties and the basis of his difficulties are succinctly analyzed by Dr. Barkin.

The most important section of the report is the canvassing of the reasons for the adoption of maximum age hiring policies and the conclusion that such a policy has become common in industry. For males alone, where the rule is far less rigorously applied, about one-fourth of the concerns studied had formal rules making it impossible to employ workers over 40 years of age and nearly three concerns out of five barred men over 45. These restrictions were found to apply to a surprising variety of jobs. Physical, psychological, technological, social and economic reasons of varying significance were assigned as the cause for the necessity for such restrictions. This part of the report is carefully analyzed and comprises an effective piece of original research. The author's conclusion that beyond the age of 50 years, an engagement by a new concern is almost beyond reasonable hope, is, in the light of the severance of men from their jobs in recent years, a delimitation of a social problem which cannot be ignored. This is aggravated by the special difficulty of securing employment in the semi-skilled jobs which are increasingly common in modern industry.

The proposed solutions of this problem are carefully appraised in the concluding chapters of the report and a basis is laid for a complete program to deal with this many-sided problem in which the government may coöperate with industry and social agencies in helping the older worker to maintain his self-sufficiency and self-respect.

Gustav Peck

Daugherty, C. R. *Labor problems in American industry.* (Boston: Houghton Mifflin. 1933. Pp. xviii, 959. $3.50.)

This volume has been prepared by an author whose style is easy and mature and whose judgments are calm and dispassionate. Dr. Daugherty's book has two outstanding merits. The first appears in the skill with which a cumbersome and difficult mass of material has been arranged and ordered. The second is to be found in the wide range of sources embraced by the author's studies including, with few exceptions, the greater part of the significant periodical and documentary literature of the depression period. Recent discussion has not only thrown new light but has also required modification of many earlier interpretations of various issues in industrial relations, and Dr. Daugherty has been alert in recognizing the significance of current developments.

The general outline of the volume does not essentially depart from a familiar general pattern for labor texts, to wit: I. Introductory. II. A

statement of the problems of labor. III. The attempts to solve the problems—namely, (a) the unions, (b) the employers, (c) the state. However, there are interesting features within this arrangement—matters of no little consequence in a textbook. First is the recognition in Part 2, that is to say, in the preliminary statement and description of the so-called *problems*, of certain labor groups presenting special competitive considerations. Women, children, immigrants, southern workers, negro workers, casual workers, and convict laborers are treated in a series of chapters entitled "Sub-standard workers," a group treatment which develops logically. The second, the more significant structural aspect, offers a mode of solution to a long-standing complexity inherent in the general pattern of presentation described above. If, for example, the old-age problem is stated in Section 2 in its general terms, the discussion of remedies must then of course be discussed in three subsequent and separate places in Section 3 as (1) union old-age benefits, (2) company pension plans, (3) public old-age pensions. As a result of this set-up a disjointed and rather unsatisfactory presentation of most of the various problems is more or less inherent in the adoption of the original outline. The author has met this condition by outlining at the close of the discussions in Section 2 remedial measures proposed or undertaken by the unions, employers, and the state; he complements these preliminary outlines by careful cross-reference in the later portions of the work. This is a neat device, which supplies unity and coherence of presentation. Teachers and students alike will find the work the more useful because of this feature. The chapters on organized labor are arranged logically by a method which differentiates the structural and functional aspects and policies of unionism most effectively. However, by way of contrast with the portion of the book devoted to organized labor, the sections on the employers' and governmental approaches appear to be considerably more summary in character.

HERBERT MAYNARD DIAMOND

DAUGHERTY, C. R. *Labor under the N.R.A.* (Boston: Houghton Mifflin. 1933. Pp. 38. 25c.)

DAVIS, H. B. *Labor and steel.* (New York: Internat. Pubs. 1933. Pp. 304. $2.)

HENDERSON, A. *Labour outlaws war.* (London: The Labour Party. 1933. Pp. 11. 1d.)

KUCZYNSKI, J. *Die Entwicklung der Löhne in Frankreich und Belgien, 1895-1933.* (Berlin: Berlin-Schlachtensee. 1934. Pp. 28. RM. 1.10.)

LEE, C. *Personal trust administration.* (New York: Bankers Pub. Co. 1934. $5.)

LEWIS, E. A., compiler. *Compilation of laws relating to mediation, conciliation, and arbitration between employers and employees: laws (relating to) disputes between carriers and employers (employees) and subordinate officials under Labor Board, 8-hour laws, employers' liability laws, labor and child labor laws (through 73rd Congress, 1st Session).* (Washington: Supt. Docs. 1933. Pp. iv, 164. 15c.)

MAHER, A. G. *Ohio wage earners in laundries and dry cleaning establishments, 1914-1932.* (Toledo: Information Bur. on Women's Work. 1933. Pp. 11.)

MILLER, S., editor. *American labor and the nation.* (Chicago: Univ. of Chicago Press. 1933. $1.)

Taylor, M. P. *Common sense about machines and unemployment.* (Philadelphia: Winston. 1933. Pp. v, 173. $1.50.)

This brief volume is closely packed with large subjects often disposed of in very summary fashion. For example, the first chapter on the first and second Industrial Revolution covers eight pages; the chapter on the great depression requires but six pages. The author feels that our present ills are due, among other factors, to our over-rapid mechanization of industry and to over-saving and over-investment in plant facilities. He hopes that a balanced economic structure will be set up and suggests the adoption of a flexible working day and a flexible wage scale. "Under these plans the wages paid in any factory would be made up of a base rate and a bonus based on the profits of the company and so arranged that after the owners had received a reasonable return on their investments, an increasingly large part of the profits go to the employees."

Charles E. Persons

Tead, O. and Metcalf, H. C. *Labor relations under the Recovery act.* (New York: McGraw-Hill. 1933. Pp. xii, 259. $2.)

As in their larger work, *Personnel Administration: Its Principles and Practice,* the authors argue strongly for the adoption of employee representation plans arranged not with company unions but with nationally organized unions. They see a definite improvement in industrial relations flowing from the resulting equality in bargaining power. They also urge the creation of trade associations embracing as large a part of the industry as possible and coöperating with the national trade unions to improve the position of the industry in general and labor relations in particular. They favor the establishment of joint industrial councils, citing relatively successful examples in the United States, but urge the necessity for consumer representation on such councils. Their final chapter is an appeal for true industrial democracy on the ground that it fulfills one of the essential objectives for which industry as well as government must strive—the development and enrichment of human personality.

Had the policy advocated by the authors been accepted by industry generally, over two-thirds of the disputes which have come before the National Labor Board would never have arisen. In this sense the authors can claim to have anticipated the most important present cause of friction in the operation of the N.R.A. Nowhere in the book, however, do they discuss that problem which must become increasingly important under the Recovery act and which will persist in spite of—even because of—union recognition. Essentially that problem is whether the N.R.A. can remain, as the authors would have it, fundamentally a scheme of industrial self-government or whether the government, in the interest of industrial peace and continuity, will find it necessary to regulate industrial relations more and more closely, even to the point of taking from the employees the right to strike and perhaps also from the employers the right to close their plants.

Joseph J. Senturia

Annual report of the United States Board of Mediation, for the fiscal year ended June 30, 1933. (Washington: Supt. Docs. 1933. Pp. 45. 5c.)

Employment exchanges: an international study of placing activities. Stud.

and rep., ser. C, no. 18. (Geneva: Internat. Labour Office. Boston: World Peace Foundation. 1933. Pp. iv, 231. $1.25.)

Employment of women on underground work in mines of all kinds. Rep. vi, 18th sess. (Geneva: Internat. Labour Office. 1933. Pp. 38.)

Individual and collective bargaining under the N.I.R.A.: a statistical study of present practice. (New York: Nat. Ind. Conf. Board. 1933. Pp. 37. $1.)

International survey of legal decisions on labour law, 1931. (Geneva: Internat. Labour Office. 1933. Pp. lv, 372. $2.)

The Labour Party: report of the thirty-third annual conference, Hastings, 1933. (London: The Labour Party. 1933. Pp. 302. 1s. 5d.)

Money, Prices, Credit, and Banking

Money and Banking. By William H. Steiner. (New York: Holt. 1933. Pp. viii, 931. $3.75.)

The volume is comprehensive, of high quality and may be adapted either to a one-semester or two-semester course. Professor Steiner states that his purpose is to cover the entire financial system in light of current problems and to emphasize the *why* and *wherefore* rather than the mere technical details of operation of financial institutions. This plan of emphasizing principles and problems and of subordinating factual, technical and historical materials—using them to furnish a necessary background rather than as the major object of study—gives commendable emphasis and balance to the book. In the discussion of recent legislation the writer makes good use of recent literature in monetary theory.

The chapters of the book are grouped in five major parts. The first part embraces a discussion of the nature and functions of money and credit and of the characteristics of the modern monetary system. Part 2 is devoted to an analysis of credit and the commercial banking process. In this section the commercial bank statement is utilized effectively as an introduction to the discussion of deposits, reserves, loan and investment portfolios and open-market institutions. Some of the conclusions are brought together in a useful chapter on bank regulation and failures. Part 3 contains eight chapters on the various non-commercial institutions, while Part 4 includes both an analysis of the structural developments of American banking and of the organization and operations of the federal reserve system. In a final section of six chapters Professor Steiner discusses money value, the foreign exchanges and post-war problems of credit control and monetary policy.

The general organization of the book deserves commendation. A relatively brief survey of the monetary system is followed by an analysis of bank credit. Not until the latter is completed is the student asked to grapple with the basic problems of the price level and the foreign exchanges. This method brings pedagogy into closer accord with the facts of modern finance and it conforms with the logic of nominalism which

Professor Steiner cites with favor. But he does not join those who deny the practical utility of a metallic standard and who proclaim confidence in the omniscience of monetary management. In speaking of price-level stabilization he remarks that "the objective takes no cognizance of the realistic requirements of a dynamic economic society" (p. 864). While thus expressing his own convictions and conclusions, he, nevertheless, maintains a well-balanced and fair perspective in his discussion of controversial questions.

Though the reviewer is in general agreement with the analysis and conclusions presented, it is his opinion that the excellence of the section on credit and of the subsequent chapters would have been enhanced had Professor Steiner given a more prominent place in his outline to the observation that "credit represents the refined technique whereby the financial system renders its two-fold service of providing a mechanism of exchange and a system of capital supply" (p. 105). The logic of this basic fact, moreover, which leads Professor Steiner to observe that banking is quasi-public in character and to favor more strict regulation and the extension of branch banking, might have led to a more sympathetic verdict on the movement to implement these developments with deposit guaranty. It is high time that the governmental responsibilities which go along with the delegation of money-creating powers to private institutions were admitted and assumed (as was finally done in the case of note issue).

Perhaps for the purpose of most classes the book would be improved by the compression of the section on non-commercial banking so as to make possible fuller discussion in Parts 1 and 4. In some sections, as for example that on index numbers and statements of the quantity theory, the discussion appears to be too sketchy for satisfactory use by the average undergraduate. The section on credit expansion and contraction also seems to deserve more elaboration than it has received. In some sections the style is rather rugged and there are some ambiguities. On page 220 Rodkey's view on loans appears to be incorrectly stated.

LEONARD L. WATKINS

University of Michigan

NEW BOOKS

ABBATI, A. H., chairman. *The search for confidence in 1932.* (London: P. S. King. 1933. Pp. ix, 109. 6s.)

This small volume comprises Bulletins 12-23, inclusive, of the Unclaimed Wealth Utilization Committee, Geneva, under the chairmanship of A. H. Abbati. Although covering a variety of topics, the bulletins are chiefly concerned with urging a stimulation of consumer demand by means of tax moratoria and public works in creditor countries. A budget deficit in these countries is frankly urged, the financing of the deficit to be encompassed by bank borrowing on the basis of Treasury bills.

The bulletins are written in vigorous style and are entitled to consideration, in spite of the fact that their author disregards, or is unacquainted with, certain fundamentals of economic and business cycle theory. An overabundance of sarcasm and attempted humor detract considerably from the force which some of the arguments presented would otherwise command.

FREDERICK A. BRADFORD

ALSTON, L. *The functions of money.* (New York: Macmillan. 1933. Pp. vii, 139. $1.75.)

This book consists of three essays: "English monetary habits," "The changing value of money," and "Money, capital and human activities." In the first of these, the author devotes much of his space to an unconvincing attempt to show that the joint-stock banks create money out of thin air without the necessity of anyone's abstaining from the use of goods or resources. The second essay, on the other hand, is an excellent treatment of factors affecting the value of money about which there is much to commend and little to criticize. In the third essay, however, Dr. Alston becomes confused with regard to the nature of saving and abstinence, and imputes to money more significance in the general scheme of economic development than would seem to be warranted. The book is well written in a non-technical style which should make it intelligible to the lay reader.

F. A. B.

ANDERSON, B. M. *On the practical impossibility of a commodity dollar.* Chase econ. bull., vol. xiii, no. 4. (New York: Chase Nat. Bank. 1933. Pp. 28.)

ATKINSON, W. *Mathematics of the commodity dollar.* (Topsfield, Mass.: Perkins Press, 1933. Pp. 12.)

BALDWIN, W. E., editor. *New York banking law, annotated: containing all amendments to January, 1934, with annotations from decisions of the courts and rulings of the attorney general.* (New York: Banks-Baldwin Law Pub. Co. 1933. Pp. 395.)

BATSON, H. E. *The price policies of German public utility undertakings.* (London: Humphrey Milford. 1933. Pp. xx, 224. 12s. 6d.)

BELL, J. W. *A guide to the study of money and banking.* (Evanston: Author, Northwestern Univ. 1933. Pp. xx, 225.)

"Outline of subject matter, with notes and references, presenting a systematic and organized course of instruction, or directions for reading and self-education, in the field of money and banking."

BOLDRINI, P. L. *Crisi del sistema monetario.* (Firenze: Le Monnier. 1933. Pp. 201. L. 12.)

BOUNIATIAN, M. *Crédit et conjoncture.* (Paris: Marcel Giard. 1933. Pp. vii, 143. 20 fr.)

BRADFORD, F. A. *Money and banking.* (New York: Longmans Green. 1934. Pp. viii, 396; 534. $3.75.)

A one-volume edition which combines the author's *Money* and *Banking.*

BRADY, J. E., editor. *Banking act of 1933 and the Emergency Bank act of 1933.* (Cambridge: Banking Law Journal. 1933. Pp. 116.)

———. *Home Owners' Loan act of 1933 and Federal Home Loan Bank act of 1932.* (Cambridge: Banking Law Journal. 1933. Pp. 96.)

———. *Federal banking laws: 1933 edition.* (Boston: Author, 465 Main St. 1933. Pp. 350. $3.50.)

BRATTER, H. M. *Should we turn to silver?* Public policy pamph. no. 6. (Chicago: Univ. of Chicago Press. 1933. Pp. 28. 25c.)

COLE, G. D. H., editor. *What everybody wants to know about money: a planned outline of monetary problems by nine economists from Oxford.* (New York: Knopf. 1933. Pp. xii, 435. $3.)

Nine economists from Oxford—three of whom now teach there—wrote the twelve chapters of this book according to an outline prepared by Cole who also wrote the four chapters on "What is money," "Money and the world crisis," "The socialization of banking," and "Conclusion: the monetary factor—and the other factors." R. F. Harrod writes on "Currency and central banking"; E. A. Radice on "Commercial banks and credit" —a chapter covering commercial banking in England, the United States, Germany, and France; Aylmer Vallance on "Foreign trade and the exchange"; G. R. Mitchison on "Capital and investment"; E. F. M. Durbin on "Money and prices"; H. T. N. Gaitskell on "Four monetary heretics" —the heretics being Major Douglas, Professor Frederick Soddy, the late Silvis Gesell, and Dr. Robert Eisler; Colin Clark on "Investment, savings, and public finance"; and E. L. Hargreaves on "Debt."

Although the book is designed for the general reader, it should prove useful to college students either as collateral reading or as a textbook. The title of the work is well chosen. The writing reveals poise, perspective, maturity, and that nice balance and objectivity which one associates with scholars. There is a wealth of useful information on current monetary and economic problems in this work; those who read it cannot fail to have their fund of knowledge enriched. Indeed, this book is a genuine international study in the sense that it not only deals with international monetary and other economic questions but treats the various national problems of the leading nations with a perspective not usually attained by authors who write of their own nation's monetary problems. Moreover, the book is genuinely interesting. It is pitched on a high level, but in the main not too high for the intelligent general reader. Cole's chapters are particularly worth reading. The chapter on "Four monetary heretics" probably is beyond all but the close students of money and business cycles. It is interesting to notice that Cole calls the Purchasing Power Parity Theory of the foreign exchanges the younger brother of the Quantity Theory of Money, a statement that is being made with increasing frequency by monetary writers.

The reviewer notes that one fails to find any clear-cut analysis of the nature of inflation; and certainly no effort is made to emphasize the fact that there is an important difference between a sound recovery and a sound rise in prices, on the one hand, and a rise in prices generated by inflation, on the other. In general, the writers oppose a policy of price-level stabilization, even under conditions of economic equilibrium. Durbin, for example, concludes (pp. 278-279) that "a policy which will stabilize prices will lead to a cumulative inflation, . . . " and recommends the stabilization of incomes as the object of a credit policy, although he does not satisfy the reviewer as to how this can be done. Neither does Hargreaves, in his chapter on "Debts" treat adequately the question of raising prices and incomes in order to decrease the debt burden.

WALTER E. SPAHR

COLLINS, E. H. *Inflation and your money: the story of money that everyone can understand.* (New York: Duffield and Green. 1933. Pp. 32. 15c.)

Danesi, F. *Gli istituti di credito parastatali in Italia.* (Bologna: N. Zanichelli. 1933. Pp. 184. L. 15.)

Davis, E. *The use of credit unions in company programs for employee savings and investment.* Rev. ed. (Princeton: Princeton Univ. Industrial Relations Section. 1933. Pp. 37.)

Douglas, C. H. *Social credit.* (New York: Norton. 1933. Pp. xi, 212. $2.)

Nations are now in the grip of the money power. Buying power must be increased and this can be done only by providing sound credit direct to consumers. "Failing that, modern power production must include a margin of unsaleable goods; producers become unable to recover their costs; and industrial stagnation follows" (publisher's summary).

Dulles, E. L. *The dollar, the franc and inflation.* (New York: Macmillan. 1933. Pp. vii, 106. $1.25.)

Edwards, D. S. *A critical study of gold reserves and the monetary standard, with special reference to the position of the Bank of England: and an outline of a proposed monetary system for the British commonwealth of nations.* (London: P. S. King. 1933. Pp. vii, 148. 5s.)

Mr. Edwards belongs to the "progressive" or "advanced" school of English monetary theorists, as exemplified by his contention that "a mass of doctrinaires still clinging tenaciously to the main lines of their economic instruction in the pre-war period, as well as those afflicted with peasant-mindedness in gold standard affairs, ought to be swept aside in progressing towards a more rational direction of monetary systems" (p. 56). He advocates the establishment of a Currency Board for the British Empire, said board to determine from time to time the amount of the fiduciary issue and to have control of note redemption in gold, for export purposes only. It is hoped by the author that the United States and Central and South American countries may adopt similar "enlightened" arrangements. The book contains little analysis, being largely devoted to criticism of the gold standard and the setting forth of elaborate details regarding the method of choosing a Currency Board.

Like most of the stable commodity price level school of theorists, Mr. Edwards fails to see the trees for the wood, not seeming to realize that the question of price interrelations is frequently of more importance than the level of wholesale prices. Thus he appears to overlook the fact that the stable price indexes of England and Sweden since 1931, so Dr. Tucker finds, have resulted from the offsetting effects of rising import prices and falling domestic prices. As Dr. Tucker has put it, "even in these topsy-turvy days I cannot see how that can promote prosperity or make debt-payment any easier." Mr. Edwards would have done better to devote more time to analyzing fundamentals and less to devising visionary arrangements for the constitution of a highly impracticable, devitalized gold standard.

Frederick A. Bradford

Fraser, H. F. *Great Britain and the gold standard: a study of the present world depression.* (New York: Macmillan. 1933. Pp. xi, 206. $3.)

After introducing his subject in traditional fashion by examining the functioning of the pre-war gold standard, the war inflation, and the return to gold, Professor Fraser attacks the problem of the causes and consequences of the breakdown of the gold standard in England, laying chief stress on the rigidity of the English wage structure, with resulting inability to reduce costs and prices. He next analyzes the monetary and

non-monetary factors in the depression, showing clearly the significant part played by the latter and the danger of over-emphasis on monetary factors. In the concluding chapter a return to the gold standard is advocated, with the caution that the proper functioning of this standard requires greater flexibility of wages and costs than has prevailed in England in recent years. The advocates of sound money will find little to object to in this book. The more "advanced" monetary theorists may find some of the arguments difficult to answer.

FREDERICK A. BRADFORD

GARIS, R. L. *Principles of money and credit.* (New York: Macmillan. 1933. Pp. xv, 520. $2.25.)

GREGORY, T. E. *Gold, unemployment and capitalism.* (London: P. S. King. 1933. Pp. xvi, 308. 12s.)

HARDY, C. O. *Devaluation of the dollar.* Public policy pamph. no. 8. (Chicago: Univ. of Chicago Press. 1933. Pp. 25. 25c.)

HARROD, R. F. *International economics.* Cambridge econ. handbook, viii. (New York: Harcourt Brace. 1933. Pp. x, 211.)

This is a brief discussion of international economic relations—conditions necessary to maximizing gains by trade, comparative price levels, foreign exchange, balance of payments, world monetary stabilization and tariffs. Though following classical lines, Mr. Harrod has improved and revised the traditional treatment in the light of recent refinements. Where actual situations are introduced, they are taken from British experience; and, though one cannot fairly object to the nature of his illustrative material, one may remark on the scantiness of it. The general reader or beginner, to whom appeal is made, will find it difficult to follow the bare theoretical outline that is presented, even though encouraged at the beginning by the promise that the intellectual effort required may be compared to what is needed for the understanding of three or four theorems in elementary geometry.

The first six chapters, devoted to the simple arithmetic of international economics, is preliminary to the discussion of monetary stabilization, world monetary reform and tariffs. Mr. Harrod's views on these questions are similar to those of Mr. J. M. Keynes who has written the introduction. He advocates a world system without a gold par or fixed exchanges. Each nation should steady her own domestic prices and decide for herself whether she desires international prices, expressed in her own currency, to remain stable or to fall slightly. Since world prices would be controlled by international coöperation, national currencies in terms of each other would change but slowly. Except for gold interests, it is a matter of indifference whether or not the gold standard is retained. Government spending is emphasized as a controlling mechanism. "World monetary reform is not likely to be successful until the possibility and necessity of government assistance in the process is widely understood."

RALPH E. FREEMAN

HENDERSON, F. *Foundations for the world's new age of plenty.* (New York: John Day. Pp. 104. $1.)

HIRST, F. W. *Money: gold, silver and paper.* (London: Scribner's. 1933. Pp. xiii, 271.)

HUSBAND, J. *One hundred years of the Greenwich savings bank.* (New York: Greenwich Savings Bank. 1933.)

KEMMERER, E. W. *Kemmerer on money.* (Philadelphia: Winston. Pp. 208. $1.50.)

LANCTOT, G., editor. *Documents relating to currency, exchange and finance in Nova Scotia, with prefatory documents, 1675-1758.* (Ottawa: H. M. Stationery Office. 1933. Pp. xlix, 495.)

LANDIS, W. S. *An engineer looks at inflation: its effects in Germany and France.* Address given before the employees and guests of the American Cyanamid Company, November, 1933. (Durham: Duke Endowment. 1933. Pp. 49.)

LESCURE, J. *Hausses et baisses des prix de longue durée.* (Paris: Domat-Montchrestien. 1933. Pp. 115.)

What is the long-term relationship of prosperity with money, prices, and gold? Professor Lescure answers that "1890-1914 was a period of general price-rise because it was a period of world progress" (p. 12). Money should not have a marked influence, since "money-quantity changes accompany general price-changes and not vice-versa" (p. 5). With rebirth of initiative, "the world will create without difficulty the necessary money to suffice for established trade" (p. 13). Assuming such initiative, prices will rise, "even if gold-production declines" (p. 13); for rises and falls of prices are "non-monetary phenomena" (p. 6).

We are informed that Cassel, Kitchin, and Strakosch predicted insufficient gold-production; Lehfeld, though, forecast superabundance, caused by credit-perfection. Actually, to pretend that increase of monetary gold-accumulations determines general prices, is held "very dangerous" (p. 9); for first, war-time price-movements cannot be so explained (p. 10); and second, central-bank data indicate otherwise. To illustrate: a central bank table points out that, during the low gold-production period 1876-1890, Belgium and Holland had substantially lower reserves, but noticeably increased circulation; while Germany had both increased reserves and increased circulation; thus showing "independence of movement of note-circulation, in relation to reserves, and independence of reserves in relation to gold production" (p. 7). We are appropriately reminded that now one would include bank-deposits in calculating total money.

Statistically, Lescure has presented painstaking tables and charts on: product-prices, profits, interest, wages, land-rents, securities-issues, physical production-volume, and other pertinent series. The data, covering the period 1850-1913, are mostly reprints of pre-war publications but are useful in showing the 1873-1896 depression, to which the present price-fall since 1920 is called analogous "with its crisis in agricultural products" (p. 13). The length of the current depression should not be astonishing, since it is intermediate in "a long period of decline" (p. 14).

RICHARD A. STADERMAN

LEWIS, E. A., compiler. *Federal Farm Loan act, with amendments.* (Washington: Supt. Docs. 1933. Pp. 151. 10c.)

LINDENTHAL, G. *A sound scientific money system as cure for unemployment.* (Boston: Stratford. 1933. 50c.)

MAHR, A. *Monetary stability.* Public policy pamph. no. 9. (Chicago: Univ. of Chicago Press. 1933. Pp. 24. 25c.)

Author favors wholesale price index as preferable to retail price index or general index.

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Meade, J. E. *The rate of interest in a progressive state.* (New York: Macmillan. 1933. Pp. x, 115. $3.)

Orchard, D. J. and May, G. *Money lending in Great Britain.* (New York: Russell Sage Found. 1933. Pp. 185. $2.)

This is the fourth of a series of five studies of small loans prepared for the Russell Sage Foundation. The authors trace the evolution of regulations for money lending in Great Britain through five successive periods characterized by religious restraint, commercial restraint, lack of restraint, judicial restraint and the beginnings of administrative restraint, respectively. The American student will find most of interest in the two last stages following the enactment by Parliament of the laws of 1900 and of 1927. In 1854 England had repealed laws establishing maximum rates of interest. A study by a committee of Parliament in 1881 showed that interest rates ranged from 69 to 155 per cent annually (p. 50), thereby demonstrating the need for some means of protecting borrowers.

The law of 1900 required registration of lenders and empowered the courts to modify unfair agreements. That this law did not eliminate the serious abuses, in the view of the authors, is indicated by their conclusion that "the hardships resulting to the borrower from the money lender's failure to register, from his unethical methods of obtaining business, and from his misuse of judicial powers were but minor when compared with the oppression of high interest rates" (p. 93). The final act of Parliament, enacted in 1927, and under which money lending in Great Britain is now regulated, contained two significant provisions: (1) All money lenders must be licensed; (2) No maximum rate of interest is set by law, but a legislative guide is indicated by providing that the courts shall presume the rate excessive if it exceeds 48 per cent per year, *i.e.*, the burden is placed upon the lender to justify any higher rate. This law is different from the Uniform Small Loans law so generally used in the United States, the authors point out, in four respects: "First, it does not classify loans according to size. . . . Second, the British law does not fix a real maximum rate of interest; the reasonableness of the charge depends upon the opinion of the judge in the particular case. Third, beyond mere licensing there is in Great Britain little administrative provision; the enforcement of the law is left to the judiciary. And fourth, the American method of punishing excessive charges under the criminal law is entirely absent" (pp. 156-157). They might well have added that the British have done more to protect the borrower than has been done generally in this country through the limitations placed upon advertising by money lenders, even to the extent of forbidding circularization of borrowers (see p. 139).

The authors have given a clear picture of the evolution of the regulation of money lending in Great Britain. While the Uniform Small Loans act in the United States has gone further than the British act in the protection of the borrower in many respects, there is something to be said for the latter in so far as it tends to prevent pressure campaigns to entice borrowers by means of seductive circulars and also to the extent that what is excessive interest is left to court determination on the basis of the circumstances surrounding the loan.

Clyde Olin Fisher

Pasvolsky, L. *Current monetary issues.* (Washington: Brookings Institution. 1933. Pp. xiii, 192. $1.50.)

RAU, B. R. *Banks and the money market.* (Calcutta: Lal Chand. 1933. Pp. xxi, 257.)

SARKAR, B. K. *Indian currency and reserve bank problems (1926-33).* (Calcutta: Ray-Chowdhury. 1933. Pp. 35. 1r.)

———. *The rupee not over-valued.* (Calcutta: Ray-Chowdhury. 1933. Pp. 6.)

SCHMOLDERS, G. *Frankreichs Aufstieg zur Weltkapitalmacht: Diplomatie und Strategie des französischen Geldes seit 1926.* (Berlin: Junker und Dünnhaupt. 1933.)

SEN, S. *Die Goldbewegungen nach Frankreich in den letzten Jahren (Ursachen und Wirkungen).* (Bonn: Author, Helmholtzstr. 4. 1933. Pp. 152.)

SHANN, E. O. G. and COPLAND, D. B., editors. *The Australian price-structure, 1932: documents illustrating the phase of financial reconstruction, November, 1931, to November, 1932.* (Sydney: Angus and Robertson. 1933. Pp. 253.)

SINGH, R. *Rural coöperative banking systems for short-term and intermediate credit in Canada, United States, and the Union of South Africa.* (Urbana: Univ. of Ill. 1933. Pp. 12. 25c.)

STAFFORD, J. *Essays on monetary management.* (London: P. S. King. 1933. Pp. viii, 230. 7s. 6d.)

This little book is composed of an "Introduction" and three essays—"Income and banking policy," "The relation of banking technique to economic equilibria," and "Central banking problems." Stafford, an assistant lecturer in economics at the University of Manchester, has built these three essays upon a framework of factors which he thinks are responsible for the recurrent disequilibria in economic activity. He inquires into the manner in which disturbances acting upon the money and credit system react in turn upon the real incomes of the community, and concludes that the monetary system tends to increase the significance of the disequilibrating forces of the economic system. Probably the most important analyses of the book are those in which the author weighs deductively the various considerations and conditions which he thinks determine whether central banking policy should have as its chief aim the stabilization of internal prices, or external prices, or a compromise of the two. He holds that the most usual specific duty of the central bank is external management, and that the pursuit of this object involves the limited pursuit of internal management. Within these limits every decision relating to central banking policy, he thinks, necessitates a balancing of marginal gains and losses.

The treatment of these highly important subjects seems unnecessarily abstract and will tax the patience of even the very small group who may feel called upon to read the work. Rather than analyze the elements of his subject in simple, clear terms so that a large group of readers might obtain the benefits of what may be of value in his analysis, the author has chosen to go from a painfully abstract type of analysis to mathematical formulæ which, in the opinion of this reviewer, are of no practical value in dealing with the subjects to which this book is ostensibly devoted.

To those who believe that there are distinct limitations to the practical use of higher algebra in some of the social sciences, the book will be of little value or interest. And for that great group of people who should be enabled to read with understanding all that is essential regarding the practical problems treated in this book, it would seem that the essays will be of no great service.

WALTER E. SPAHR

Taeuber, W. *Geld und Kredit im Mittelalter.* (Berlin: Carl Heymanns. 1933. Pp. xiii, 361. RM. 32.)

Tucker, R. S. *Gold, prices and prosperity: no statistical basis for the commodity dollar.* Reprinted from *The Annalist.* (New York: N. Y. Times Co. 1934. Pp. 10.)

Van Es, W. J. L. *Gold, silver, commodities and crises.* (The Hague: Martinus Nijhoff. 1933. Pp. xvi, 50. Gld.1.)

In this monograph, Dr. Van Es attempts to make a case for the stability of value of silver (in the past several years) as compared with gold, without notable success. He believes that bimetallism would be helpful in stabilizing the long-run value of money, although he does not seem to approve of many of the existing plans for raising the price of silver. Apparently, it is necessary for gold to depreciate in terms of commodities to the silver level before the introduction of bimetallism will prove entirely satisfactory. The exposition is lamentably lacking in clarity at many points, so that the reviewer may be doing Dr. Van Es an injustice regarding his attitude toward silver. The author's conclusions with respect to gold reserves and the desirability of removing legal requirements against note issues are sound enough, but his attitude toward the scarcity of gold can hardly be justified. F. A. B.

Weyforth, W. O. *The Federal Reserve Board: a study of federal reserve structure and credit control.* (Baltimore: Johns Hopkins Press. 1933. Pp. ix, 216. $2.25.)

As indicated in its title, this monograph comprises a critical analysis of the set-up of the federal reserve system, with particular reference to the problem of credit control. The author follows a summary of the events leading up to the establishment of the system with discussions of reserves and note issues, loans and rediscounts, open-market operations, and international relations. His analysis demonstrates the desirability of a greater concentration of power over discount rates and open-market operations than now exists in the hands of the Board. The author feels that such powers are more important than the increased powers for direct pressure granted to the Board by the Banking act of 1933. He also feels that the control over relations with foreign banks, granted by the latter act, are not satisfactory and would be unnecessary if the Board had the discount rate and open-market control which it should have. In order to guard against political interference, representation of the reserve banks on the Board is advocated, while the dropping of the Secretary of the Treasury as an ex officio member also appears to meet with the author's approval.

The book is well and clearly written. It attacks certain problems which are significant and which have frequently been somewhat slighted in less specialized treatments. Frederick A. Bradford

White, A. D. *Fiat money inflation in France: how it came, what it brought, and how it ended.* (Durham: Duke Endowment. 1933. Pp. 68.)

Wolff, S. *Frankreich und sein Gold: der Anteil der französischen Finanzmacht an der Weltkrise.* (Frankfurt am Main: Societätsverlag. 1933. Pp. 249.)

Annual report of the director of the mint for the fiscal year ended June 30, 1933, including report on the production of the precious metals during the calendar year 1932. (Washington: Supt. Docs. 1933. Pp. 113. 75c.)

The guaranty of bank deposits: a report of the Commission on Banking Law and Practice, Association of Reserve City Bankers. Bull. no. 3. (Chicago: Assoc. of Reserve City Bankers. 1933. Pp. 43.)

Old and scarce tracts on money. (London: P. S. King. Pp. 656. 15s.)

Photographed from the original volume printed for the Political Economy Club, 1856.

Pennsylvania banking and building and loan codes, 1933. (Harrisburg: Commonwealth of Pennsylvania. 1933. Pp. xxx, 553.)

World production and prices, 1925-1932. (Geneva: League of Nations. Boston: World Peace Foundation. 1933. Pp. 155. $1.)

Public Finance, Taxation, and Tariff

State Grants-in-Aid in Virginia. By Tipton R. Snavely, Duncan C. Hyde and Alvin B. Biscoe. (New York: Century. 1933. Pp. xv, 244. $2.50.)

Under the American system of government the sources from which are derived the revenues requisite to perform the functions jointly or severally undertaken by the federal government, the state governments, and the governments of the political subdivisions of the state give rise to a wide range of fiscal problems. Separation of revenue sources, tax rate limitations, limitations upon indebtedness, retrenchment, economy, and budgetary reforms have been the war cries of the aspiring politician; and on these cries worse administrations have not infrequently succeeded to the offices of their bad predecessors. Although not so formidable a cudgel for the business of warring oneself into office, recent developments in the field of public finance demonstrate the subtle effectiveness with which the prerogatives of one governmental authority may be purchased through the device which the authors of the book in review choose to term "state grants-in-aid." The object of this study, say the authors, is "to make a scientific investigation of the conditions which exist, in the hope that from such analysis it might be easier for those in charge of state affairs to formulate wise policies of action." This worthy objective announced in the preface encourages the civic-minded reader to turn the following 232 pages of text material and tables, of which there are 47, in a search for some escape from "tangled and haphazard policy under which grants-in-aid have generally been made."

Chapter 1 is devoted to the theory of grants-in-aid, Chapter 2 to state subventions and the tax system, the next four chapters to various discussions on educational finance. Chapters 7 and 8 are devoted to highways, and health and welfare, respectively, and there is a final chapter on conclusions.

There is an abundance of statistical data scattered throughout the book. The mature reader feels, however, that too much time was spent in securing data and little enough in interpreting it. The reviewer had difficulty in appreciating the statement appearing on page 35 that "the

state government is, after all, nothing more than a representative body created by the localities themselves."

"The nature of Virginia's tax system," say the authors, "is such as practically to compel an extension of the practice of grants-in-aid"; and this, they believe, is due to the plan of tax segregation which has made revenue sources in the localities "rigid and inflexible." This statement is not really true to the facts for it is clearly demonstrated that separation of revenue sources left the Virginia localities better off by far than they were under the pre-existing system.

The reader's greatest disappointment comes when he reaches the end of this book to find that the authors have no really workable plan to offer or practical suggestions to make for distributing to the localities the "more generous grants from the state treasury than have been appropriated heretofore." Such a plan should have been the principal objective in the development of a practical treatise on state grants-in-aid. The authors do, indeed, suggest a plan, which is in substance to distribute "state funds in inverse ratio to the estimated wealth of the subdivisions," but their formula for determining the wealth of the subdivisions would exclude several hundred million dollars in values properly belonging in the category of what the authors term "tax capacity." If the plan which the authors propose had included so simple an adjusting device as population and area, it would have had some semblance of workability, but standing as it does, a large but comparatively poor county with relatively dense population would be penalized to favor a smaller, comparatively wealthy county with relatively sparse population. Such a result flies in the face of all things good that one might wish to achieve in distributing state-aid money.

William H. Stauffer

Richmond, Virginia

NEW BOOKS

Babst, E. D. *Shall our tariff and colonial policy permit the duplication on the islands of sugar refineries already built on the mainland?* (New York: Am. Sugar Refining Co. 1933. Pp. 16.)

Bergmann, R. *Die Kosten der Reichsfinanzverwaltung.* Finanzwissenschaftliche Forschungen, Heft 2. (Jena: Fischer. 1933. Pp. xii, 89. RM. 4.50.)

Beveridge, W., editor. *Tariffs: the case examined.* 2nd ed. (New York: Longmans. 1933. Pp. 308. $2.)

Bigo, R. *Les bases historiques de la finance moderne.* (Paris: Armand Colin. 1933. Pp. 216. 10fr.)

Chatters, C. H., and others. *Municipal debt defaults: their prevention and adjustment.* Report to the executive committee of the Municipal Finance Officers Assoc. of the U. S. and Canada. (Chicago: Public Admin. Serv. 1933. Pp. 55. 50c.)

Conlon, J. *Federal tax procedure and appeals.* (Washington: Author, 600 F St., N.W. 1933. Pp. 656. $10.)

COVERT, T. ***Larger units for educational administration a potential economy.*** Pamph. no. 45. (Washington: Supt. Docs. 1933. Pp. 43. 5c.)

ELLIS, L. S. *The tariff on sugar.* With an introduction by J. R. Commons, B. H. Hibbard and W. A. Morton. (Freeport, Ill.: Rawleigh Foundation. 1933. Pp. 190. 50c.)

This book presents the facts of the world sugar situation, with particular reference to the American tariff problem. Detailed figures are given on acreage, production, consumption, prices, freight rates, and tariffs. These facts are interpreted discriminatingly, and, although marred by a repetitious style, the book is a worthy addition to the literature on the sugar tariff.

Throughout the book emphasis is placed on the world aspects of the sugar situation. The author stresses the fact that artificial stimulation of production by bounties and tariffs has been an important factor in the expansion of world production and the consequent drop in prices. He arrives at the same conclusion as Professor Taussig and Dr. Philip Wright in regard to the 20 per cent tariff preferential on imports from Cuba: since about 1913 it has been of little if any advantage to Cuba, and the American consumer and not the Cuban producer has been the beneficiary. Professor Ellis challenges the widely entertained belief that the exclusion of sugar from our insular possessions would raise appreciably the price of sugar in this country, and points out that only as an exclusion of insular sugar might lead to an increase in the world price would the result be to raise the price of sugar in this country.

The book touches upon but does not discuss in great detail two very interesting aspects of the sugar problem: the natural freight protection enjoyed by beet sugar producers in the Western market (pp. 84-88), and the price discrimination practiced by Eastern refiners, both in the absorption of freight on shipments to the West (p. 101), and dumping abroad (pp. 139-144). The fact that price concessions on foreign sales have been consistently greater since the organization of the Sugar Institute in January, 1928, may be an accident, but it will undoubtedly add to the suspicions of many economists that a trade association "code of ethics" is frequently not limited to raising the ethical standards of the industry.

The cost of the sugar duty to the American consumer is estimated by the price differential method of comparing the foreign price with the American price. An appendix by Dr. Morton defends this method as against the equilibrium method employed by Professor Henry Schultz. It does not seem likely, however, that the results obtained by the two methods would differ greatly. Professor Ellis estimates that in 1930 the sugar tariff cost the American consumer 268 million dollars, of which 115 million was offset by customs receipts, and that of the remaining net cost to the consumer of about 150 million nearly two-thirds represented benefits to producers in the insular possessions. The final conclusion is (p. 160): "The sugar duty gives very real aid to 2.3 per cent of our farmers, but it taxes the entire farm population more than the amount of the benefit to the small group. It results in a net loss to all farmers as a class, and, therefore, as a farm relief measure is a failure."

FRANK WHITSON FETTER

FASOLIS, G. *Scienza delle finanze e diritto finanziario in relazione ai principii ed alle direttive fasciste.* 2nd ed. (Padua: "Cedam." 1933. Pp. xv, 633. L. 65.)

Fetter, F. W. *The New Deal and tariff policy.* Public policy pamph. no. 7. (Chicago: Univ. of Chicago Press. 1933. Pp. 27. 25c.)

Ford, R. S. *The allocation of corporate income for the purpose of state taxation.* Spec. rep. of the State Tax Comm. no. 6. (Albany: State House. 1933. Pp. 130.)

Garnett, W. E. *Tax policies in relation to rural life.* Presented before the Grange Lecturers' School, Blacksburg, Virginia, March, 1933. (Blacksburg: Virginia Polytechnic Inst. 1933.)

Includes an "exhibit" of farm incomes, wealth accumulation and living standards.

Gipson, L. H. *Connecticut taxation, 1750-1775.* Tercentenary Comm. of the State of Conn. Comm. on Hist. Pubs. (New Haven: Yale Univ. 1933. Pp. 41.)

Green, W. R. *The theory and practice of modern taxation.* (Chicago: Commerce Clearing House. 1933. Pp. vii, 266.)

Of the writing of books there is no end, especially in the different fields of economics in which academic men have their major interest. A new book by an academic man in money, labor, or taxation need not be heralded; it was expected.

Here, however, is something different; a book written by a man out of his wealth of experience and observation. Mr. Green is judge of the United States Court of Claims, formerly was chairman of the Ways and Means Committee of the House of Representatives, and was chairman of the Joint Committee of the House and Senate on Taxation. Such a career gives a vivid background for a discussion of the practice of modern taxation. The author, however, does not stop here, but shows a keen appreciation of the many theories which have been advanced by writers on taxation. The entire discussion might well be called a liaison between the tax theorist and the tax administrator.

The book is not one which deals in generalities but, in the 22 chapters, draws illustrative material from practically every type of tax used by the federal government and the states, as well as by some foreign countries. Knowledge of the latter was gained by personal investigation. Many of the comparisons are not flattering to American administrative practices as, for example, when the author concludes that (p. 192) "there is little doubt of the superiority of Great Britain in the administration of laws imposing taxes. . . . Part of this is due to the superiority of its staff which is charged with collections, and this in turn may be said to be due to the remarkable success of the English civil service system. . . . These officials are secure in their positions and their promotions free from political influence. All the higher places are filled by men of long experience and high ability." Following this conclusion, Mr. Green is very uncomplimentary to American administrative procedure.

Whoever reads this book must be struck with the inherent fitness of the writer to do what he has set out to do, and with the saneness with which he does it. His long contact with legislation makes him give to the reader an insight into the motives behind many taxation proposals, only some of which have become law.

M. H. Hunter

Harding, A. L. *Double taxation of property and income.* Harvard stud. in the conflict of laws, 1. (Cambridge: Harvard Univ. Press. 1933. Pp. x, 326.)

HARVEY, A. S. *General tariff of the United Kingdom.* (New York: Pitman. 1933. Pp. 181. $1.50.)

HENDRICKS, H. G. *The federal debt, 1919-1930: a chapter in American public finance.* (Washington: Author, 509 House Office Bldg. 1933. Pp. 333. $6.)

This book is primarily a bit of documentary history. It defends no thesis and only incidentally attacks one. It describes certain fiscal events of a decade and cements them together by such explanations as a Treasury official might be expected to offer, the distinguishing feature being that the author treats a much larger mass of data than such an official would be called upon to explain at one time. Most of the material consists of quotations or near quotations from official American documents, a statement which implies nothing derogatory. The material is copiously and apparently adequately annotated by more than one thousand footnotes. There is no bibliography, the lack of which, in view of the numerous footnotes, is not serious; but the absence of an index is unfortunate, particularly because of the brevity of the table of contents.

Mechanically, the pages are marred in too many spots by staggering type, notably so in the footnotes. The footnotes also suffer most, but not exclusively, from numerous minor typographical and grammatical errors such as would have been discovered by careful proof reading. The same applies also to certain inconsistencies in the style of footnoting. But these flaws, while they detract from the pleasure of reading the book, do not obscure its meaning.

In the first two chapters are compared "the debt at its peak amount," in 1919, and the "United States government assets in 1919," presumably for the purpose of determining the net worth as of the beginning of the period. Admirable as this objective is, within its proper narrow limits, it is difficult to achieve. While in this case the liabilities, in terms of dollars at least, were definite enough, such was far from being the case with the assets. Retrospectively, since most of the assets have been realized in cash, they may be valued, except the intergovernmental debts. In order to be useful, an initial balance sheet should be accompanied by a final one, and such an appraisal would have to be prospective. Perhaps it would be unreasonable to expect one. But the author does not carry the idea so far as to ascertain the net worth, even as of 1919. He does in fact make no use of it.

The two following chapters deal with the reorganization of the debt and with the "World War debt settlement," respectively. Chapter 5 treats the Treasury surpluses, their sources and their disposal. By "disposal" is here meant the elimination of the surpluses by means of tax reduction or debt reduction, and with only incidental reference to such other methods of disposal as, for example, the ex-service men would suggest. The sinking-fund device is discussed in Chapter 6, and the conclusion is reached that the "burdensome paraphernalia" of the fund are not justified. Chapter 7, "Miscellaneous retirements," is really superfluous. It consists mostly of a reprinted article on the franchise tax on the federal reserve banks. If suitably reduced, this item, with other minor items mentioned, had better been incorporated with other sources of surpluses in Chapter 5. The operations of the Treasury in the money market are shown in Chapter 8.

"The results of the debt policy" are the subjects of the final chapter. These results are presented in terms of: (1) the amount of debt reduction; (2) the computed interest charge, which it is attempted to correct for price movements and population growth; (3) the perennial controversy

over the use of loans or taxes in war financing; and (4) the suitableness of the taxes of the post-war period. In general, the theoretical contribution is scrappy in character; but fortunately the value of the book is not dependent primarily upon its contribution to the principles of war financing.

JENS P. JENSEN

LANDMAN, J. *Vorträge aus dem Nachlass.* (Basel: Benno Schwabe. 1933. Pp. 84. 4 fr.)

LEFFLER, G. L. *Public expenditures, tax burdens, and bonded debts in Wisconsin and neighboring states.* Bull. no. 4. (Madison: Univ. of Wisconsin Bur. of Bus. and Econ. Research. 1933. Pp. vi, 119.)

MONTGOMERY, R. H. *Federal tax handbook, 1933-1934.* (New York: Ronald. 1933. Pp. xv, 1091. $7.50.)

PETIT, L. C. *Histoire des finances extérieures de la France: le règlement des dettes interalliées (1919-1929).* (Paris: Berger-Levrault. 1932. Pp. xvii, 718.)

POWELL, H. M. *Reducing realty taxes, with remedies for illegal and excessive assessments and methods of proving realty values.* 2nd rev. ed. (New York: Boyd Press. 1933. Pp. v, 442.)

STORM, W. B. and STORM, H. C. *Taxes and taxation.* (Bloomington, Ill.: McKnight and McKnight. 1933. Pp. 108. 40c.)

STUDENSKI, P. *Chapters in public finance.* (New York: Long and Smith. 1933. Pp. 400-562.)

Reprinted from Volume II of *Economic Principles and Problems,* by W. E. Spahr and others.

SWIFT, F. H. *European policies of financing public educational institutions. I. France.* Pubs. in educ., vol. viii, no. 1. (Berkeley: Univ. of California Press. 1933. Pp. 195.)

THARP, C. R. *Control of local finance through taxpayers' associations and centralized administration.* (Indianapolis: Ford Pub. Co. 1933. Pp. ix, 84.)

UNTEREINER, R. E. *The tax racket: what we pay to be governed.* (Philadelphia: Lippincott. 1933. Pp. 161. $1.)

WALLACE, G. M., compiler. *Laws of the state of Louisiana regulating the levy, assessment and collection of taxes.* 2nd ed. (Baton Rouge: Ramires-Jones Printing Co. 1933. Pp. xvi, 987.)

WINKLER, M. *Foreign bonds: an autopsy. A study of defaults and repudiations of government obligations.* (Philadelphia: Roland Swain. 1933. Pp. xvi, 295. $3.50.)

Bank and corporation franchise tax act, 1933. (San Francisco: Franchise Tax Commissioner. 1933. Pp. 51.)

Current problems in public finance. (Chicago: Commerce Clearing House. 1933. Pp. 391. $3.25.)

This is a collection of 50 lectures delivered at the National Conference on the Relation of Law and Business held under the auspices of the School of Law and the School of Commerce, Accounts and Finance of New York University, in December, 1932. The lectures are grouped under the following headings: (1) "Charting the public finance problem"; (2) "The proper scope of governmental activity in general and in the new economic situation in particular"; (3) "Readjustment of local governmental expenditures"; (4) "Readjustment of local taxation"; (5) "Readjustment of state expenditures and taxation"; (6) "Readjustment of federal expenditures"; (7) "Readjustment of federal taxation"; (8) "Problems of edu-

cational finance"; (9) "Special taxes—parts 1 and 2"; (10) "Coördination of federal, state and local revenues and elimination of double taxation"; (11) "The use of public credit"; (12) "Governmental defaults—causes and prevention"; (13) "Intergovernmental debts and tariffs"; (14) "Reconciliation and execution of public finance programs."

Financial statistics of states, 1931. (Washington: Supt. Docs. 1933. Pp. 117. 10c.)

Income tax act of Washington: an act relating to the payment of a graduated tax on the incomes of persons and corporations, adopted by popular vote, November 8, 1932. (Olympia: State House. 1932. Pp. 45.)

Reports of the United States Board of Tax Appeals, volume 26, May 1, 1932, to October 31, 1932. (Washington: Supt. Docs. 1933. Pp. 1543. $2.25.)

Population and Migration

NEW BOOKS

Duncan, H. G. *Immigration and assimilation.* (Boston: Heath. 1933. Pp. 901. $3.80.)

Holmes, S. J. *The eugenic predicament.* (New York: Harcourt Brace. 1933. Pp. 243. $2.)

Woofter, T. J., Jr. *Races and ethnic groups in American life.* (New York: McGraw-Hill. 1933. Pp. 247. $2.50.)

Fifteenth census of United States, 1930: population. Vol. VI. *Families.* (Washington: Supt. Docs. 1933. Pp. 1495. $3.)

La mortalidad en la Ciudad de México. (Mexico City: Departamento de Salubridad Publica. 1933. Pp. 48.)

Social Problems and Reforms

NEW BOOKS

Baker, O. E. *Rural-urban migration and the national welfare.* Annals, vol. xxiii. (Cambridge, Mass.: Assoc. of American Geographers. 1933. Pp. 59-126. 75c.)

Blodgett, H. *Making the most of your income.* (New York: Macmillan. 1933. Pp. xv, 180. $1.50.)

Treats of the "elemental principles of sound personal and family money management." These are based on well-defined objectives, savings, budgeting, the correct understanding of installment plans, and selection of investments. One chapter is on teaching children money management.

Bogardus, E. S. *Social problems and social processes: selected papers from the proceedings of the American Sociological Society, 1932.* (Chicago: Univ. of Chicago Press. 1933. Pp. xii, 154.)

Bonnet, G., and others. *La coöpération internationale.* (Paris: Alcan. 1933. Pp. 213. 15fr.)

This volume includes the addresses delivered at a series of conferences organized by La Société des Anciens Elèves et Elèves de l'Ecole Libre des Sciences Politiques. Two of the conferences were devoted to economic and financial problems.

Brocard, L., and others. *L'economia programmatica.* (Firenze: Sansoni. 1933. Pp. vi, 203. L.15.)

Brown, J. C. *The rural community and social case work.* (New York: Family Welfare Assoc. of America. 1933. Pp. 165.)

Burdell, E. S. *An adventure in education for the unemployed: a report and comment on two six weeks' sessions of a free school for the unemployed.* (Columbus: Ohio State Univ. 1933. Pp. vii, 45.)

Chapin, F. S. *The measurement of social status by the use of the social status scale, 1933.* (Minneapolis: Univ. of Minnesota Press. 1933. Pp. 16. 25c.)

Clapper, R. *Racketeering in Washington.* (Boston: L. C. Page. 1933. Pp. 328. $3.)

"An account from authoritative records of the grafting in small and great things by our senators and members of the House of Representatives and executives in public departments who line their private pockets, live in the lap of luxury at the expense of the taxpayer, and indulge in nepotism, junketing, padded expense accounts and many wastes and extravagances at the very time that millions of our citizens are out of work."

Creedy, F. *The secret of steady employment.* (New York: Putnam. 1933. Pp. xi, 125. $1.75.)

Daltroff, E. M. *The foundation of industrial stability.* (London: P. S. King. 1933. Pp. vii, 139.)

Drake, B. *Starvation in the midst of plenty: a new plan for the state feeding of school children.* Tract no. 240. (London: The Fabian Society. 1933. Pp. 29. 3d.)

Drexel, C. *Armament manufacture and trade.* Internat. conciliation no. 295. (New York: Carnegie Endowment for Internat. Peace. 1933. Pp. 26. 5c.)

Ellwood, C. A. *Methods in sociology: a critical study.* (Durham: Duke Univ. Press. 1933. Pp. xxxiv, 214. $1.50.)

Gillette, J. M. and Reinhardt, J. M. *Current social problems.* (New York: Am. Book Co. 1933. Pp. 829. $4.)

Gist, N. P. and Halbert, L. A. *Urban society.* (New York: Crowell. 1933. Pp. xv, 724. $3.50.)

Contains chapters on the growth and location of cities; urban migration; the economic organization of the city.

Hatch, F. W. *Status of the social sciences in secondary schools of Maine.* Stud. 2nd ser., no. 27. (Orono: Univ. of Maine Press. 1933. Pp. 114.)

Hodgson, J. G., compiler. *Economic nationalism.* Ref. shelf, vol. ix, no. 1. (New York: Wilson. 1933. Pp. 208. 90c.)

Hurlin, R. G. *The number and distribution of social workers in the United States.* (New York: Russell Sage Found. 1933. Pp. 11. 10c.)

Kramer, S. *A path to understanding.* (New York: Baker and Taylor. 1933. Pp. vii, 259. $2.)

Larson, E. L. *School finance and related problems in Arizona.* Soc. sci. bull. no. 1. (Tucson: Univ. of Arizona. 1933. Pp. 85.)

Lively, C. E. *Some rural social agencies in Ohio: a study of trends, 1921-1931.* Bull. 529. (Wooster: Ohio Agric. Experiment Station. 1933. Pp. 42.)

McCormick, T. C. *Rural social organization in Washington County, Arkansas.* Bull. 285. (Fayetteville: Arkansas Agric. Experiment Station. 1933. Pp. 43.)

Marshall, L.C. and May, G. *The divorce court.* Vol. II. *Ohio.* (Baltimore: Johns Hopkins Press. 1933. Pp. 440. $3.50.)

This is the second volume of studies on divorce, promoted by the Institute of Law of Johns Hopkins University. The first, published in 1932, analyzed between 3,000 and 4,000 cases in Maryland; this volume is based on divorce cases in Ohio, some 9,000 in number. The statistics gathered

are thoroughly analyzed, presented in intelligible tables with many illustrative charts. The text is ample and the treatment throughout represents scientific research.

Martin, P. M. *Prohibiting poverty: suggestions for a method of obtaining economic security.* (New York: Farrar and Rinehart. 1933. Pp. 125. $1.)

Mason, A. T. *Brandeis: lawyer and judge in the modern state.* (Princeton: Princeton Univ. Press. 1933. Pp. vi, 203. $2.)

The jacket of this interesting volume informs us that it "is not written primarily for the scholar or lawyer but rather for the general reader." Beginning with a short chapter demonstrating that "judges rule the state," Professor Mason goes on to describe Justice Brandeis' career before his appointment to the Supreme Court. The chapter headings indicate the nature of the discussion: "The people's attorney," "The challenge of corporate aggregates to social intelligence," "Brandeis: sense, sanity, idealism," "Bourbon law in the industrial age," and "More life in the law: the Brandeis brief." The longest chapter in the book, entitled "More life in the law: the logic of realities in Supreme Court opinions," is an informative discussion of the most important of the Brandeis opinions. Special attention is given to the labor opinions, those having to do with transportation and public utilities, and those dealing with personal freedom. Professor Mason believes that the philosophy of Brandeis bears a close relation to that of President Roosevelt and his recovery program. In one brief section he makes an interesting comparison between the views of Brandeis and former Justice Holmes. The volume is sympathetic throughout to the career and influence of its subject. Despite its brevity and lightness of treatment, the thorough documentation of the volume should make it useful to students of economic and social legislation.

Edward Berman

Mayo, E. *The human problems of an industrial civilization.* (New York: Macmillan. 1933. Pp. 194. $2.)

Mitrany, D. *The progress of international government.* (New Haven: Yale Univ. Press. 1933. Pp. 176. $2.)

Murray, H. G. *Out of work: hunger and relief.* Soc. action ser. no. 1. (Boston: Pilgrim Press. 1933. Pp. 36. 25c.)

Perry, C. A. *The rebuilding of blighted areas: a study of the neighborhood unit in replanning and plot assemblage.* (New York: Regional Plan Assoc. Pp. 64. $2.)

Popenoe, P. B. and Johnson, R. H. *Applied eugenics.* Rev. ed. (New York: Macmillan. 1933. Pp. ix, 429. $2.60.)

Remer, C. F. *A study of Chinese boycotts, with special reference to their economic effectiveness.* (Baltimore: Johns Hopkins Press. 1933. Pp. xii, 306. $2.75.)

Riches, C. A. *The unanimity rule and the League of Nations.* (Baltimore: Johns Hopkins Press. 1933. Pp. xi, 224. $2.25.)

Rodgers, C. *The Roosevelt program.* (New York: Putnam. 1933. Pp. 275. $2.)

Rugg, H. O. and Krueger, M. *Social reconstruction: study guide for group and class discussion.* (New York: John Day. 1933. Pp. 146. 85c.)

Sanders, W. B. *Negro child welfare in North Carolina.* (Chapel Hill: Univ. of North Carolina Press. 1933. Pp. 330. $1.)

Schwesinger, G. C. *Heredity and environment: studies in the genesis of*

psychological characteristics. (New York: Macmillan. 1933. Pp. vii, 484. $4.)

Slocomb, W. H. *The causes and cure of depressions.* (Boston: Christopher Pub. House. 1933. Pp. 131. $1.25.)

Author argues that "banking and the handling of money is a government function. . . . Money must be made to become a pure medium of exchange by equalizing land values and by socializing land rent and money rent."

Tippetts, C. S. *Autarchy: national self-sufficiency.* Pub. policy pamph. no. 5. (Chicago: Univ. of Chicago Press. 1933. Pp. 27. 25c.)

A vigorous criticism of the national self-sufficiency and isolationist arguments of Dean Donham, Crowther, Lawrence Dennis and Keynes.

Viljoen, S. *The economic tendencies of today.* (London: P. S. King. 1933. Pp. 251. 10s. 6d.)

Readers who are attracted to this book by its title are liable to be disappointed. One expects a discussion of tendencies to have direction and drive—to get somewhere. One is prepared to disagree if necessary, but that is a reasonable price to pay for a stimulating trip. Doctor Viljoen's book has no drive and no direction discernible by me. This is not because it is confused or stupid. On the contrary it is singularly intelligent and clear. Whatever the author takes up he illuminates with a flood-light of facts drawn from the best, though not always the most recent, sources; and his comments are distinguished by a complete freedom from passion or obvious prejudice. But they are inconsecutive. One thing just leads to another as it does in conversation (where "tendency" is tabu!) or in the lectures of a professor who "knows a lot" and doesn't much care what happens.

C. E. A.

White, P. C. *Some fundamentals of a scientific social order.* (New York: Internat. Press. 1933. Pp. 31.)

Willis, H. P., Madden, J. T. and Warburton, C. *Economic aspects of calendar reform.* (New York: World Calendar Assoc. 1933. Pp. 15.)

Ziegler, S. H. and Wildes, H. J. *Choosing an occupation: vocational civics.* (Philadelphia: Winston. 1933. Pp. xv, 344.)

Employment of prisoners: report of the departmental committee. (London: H. M. Stationery Office. 1933. Pp. 99. 1s. 6d.)

Instruction in the social studies. Monog. no. 21. (Washington: Supt. Docs. 1933. Pp. 105. 10c.)

National Conference of Social Work (formerly National Conference of Charities and Correction), proceedings at the sixtieth annual session held in Detroit, Michigan, June 11-17, 1933. (Chicago: Univ. of Chicago Press. 1933. Pp. 763. $3.)

Insurance and Pensions

NEW BOOKS

Baldwin, W. E., editor. *New York insurance law. Containing all amendments to January, 1934, with an appendix containing emergency measures and miscellaneous laws affecting insurance.* (New York: Banks-Baldwin Law Pub. Co. 1933. Pp. 508.)

Hohman, H. F. *The development of social insurance and minimum wage legislation in Great Britain: a study of British social legislation in relation to a minimum standard of living.* (Boston: Houghton Mifflin. 1933. Pp. xxi, 441. $3.50.)

Although published in 1933 this study was awarded first prize in Class A in the Hart, Schaffner & Marx competition of 1928.

Starting with an investigation of the operation of the Poor law of 1834, Mrs. Hohman traces the development of the English legislation designed to handle the problems of poverty and carries the story through the year 1932. She not only describes the laws, but considers the reports of the many commissions appointed to investigate the need for changes in the treatment of poverty. She deals with the attitudes of the different groups toward proposed legislation and with the problems which arose after its passage. Thus she discusses the problem of the aged poor and old-age pensions, the treatment of widows and their dependent children, the relation between the Poor law and the adoption and development of health insurance, attempts to meet the problems of the unemployed, the unemployment insurance acts and their operation, the most recent problems in the relief of poverty, and the sweating problem and the development of minimum-wage legislation.

The volume contains a mass of pertinent detail, and should prove of great value as a reference work. Not only will the student find all important facts concerning the developments of the last 25 years, but he will find an adequate treatment of the nineteenth century background which will enable him to trace the events leading to the passage of the great program of social legislation of more than two decades ago. The volume possesses an extensive bibliography and a good index.

The only criticism to be made of this study is its failure to consider at sufficient length the economic and social aspects of the legislation discussed. One feels that a person whose command of the facts is as extensive as Mrs. Hohman's might contribute a fresh and valuable analysis of the implications of the British program. This, however, may be asking for too much from a single volume.

Edward Berman

Huebner, S. S. and McCahan, D. *Life insurance as investment.* (New York: Appleton-Century. 1933. Pp. xxii, 291. $2.50.)

Kulp, C. A., editor. *Social insurance. Supplement: some aspects of international economic questions.* Annals, vol. 170. (Philadelphia: Am. Academy of Pol. and Soc. Science. 1933. Pp. vii, 204. $2.50.)

Richards, K. E., editor. *Workmen's compensation supplement to department reports of Pennsylvania, containing rulings and selected opinions of the workmen's compensation board, opinions of the attorney general, the various courts of Pennsylvania and the United States Supreme Court, involving the workmen's compensation law of Pennsylvania during the year 1932.* (Harrisburg: Telegraph Printing Co. 1933. Pp. 373.)

Reprinted from volume xviii of department reports of Pennsylvania.

Schnitman, L. S. *How safe is life insurance?* (New York: Vanguard. 1933. Pp. 256. $2.)

Taylor, M. *The social cost of industrial insurance.* (New York: Knopf. 1933. Pp. xx, 421. $3.25.)

The Association of Life Insurance Presidents: proceedings of the twenty-seventh annual convention held in New York, December 7-8, 1933. (New York: Assoc. of Life Insur. Presidents. 1933. Pp. 259.)

Workmen's compensation for occupational diseases: partial revision of the convention concerning workmen's compensation for occupational diseases. Rep. v, 18th sess. (Geneva: Internat. Labour Office. 1933. Pp. xi, 328.)

Pauperism, Charities, and Relief Measures

NEW BOOKS

HALL, E. L. *Mothers' assistance in Philadelphia: actual and potential contr. A study of 1010 families.* (Bryn Mawr: Bryn Mawr Coll. 1933. Pp. xiv, 116.)

Socialism and Co-operative Enterprises

NEW BOOKS

BEALES, H. L. *Early English socialists.* (London: Hamish Hamilton. 1s. 6d.)

BRAMELD, T. B. *A philosophic approach to communism.* (Chicago: Univ. of Chicago Press. 1933. Pp. xi, 242. $2.50.)

CHEN, K. *The coöperative movement in China.* (Shanghai: China Coöperators' Union. 1933.)

CLAESSENS, A. *A manual for socialist speakers: a brief text book on the technique of public speaking and socialist propaganda meetings.* (New York: Rand School Press. 1933. Pp. 32. 25c.)

EHRT, A. *Communism in Germany: the truth about the communist conspiracy on the eve of the national revolution.* (Berlin: General League of German Anti-Communist Assoc. 1933. Pp. 179.)

LAIDLER, H. W. *A history of socialist thought.* (New York: Crowell. 1933. Pp. xxii, 713.)

PAGE, K. *Individualism and socialism.* (New York: Farrar and Rinehart. 1933. Pp. 376. $2.50.)

SAVAGE, H., JR. *America goes socialistic.* (Philadelphia: Dorrance. 1933. Pp. 146. $1.75.)

THOMAS, N. *A socialist looks at the New Deal.* (New York: League for Industrial Democracy. 1933. Pp. 19. 10c.)

Statistics and Its Methods

Seasonal Variations in Industry and Trade. By SIMON KUZNETS. (New York: Nat. Bureau of Econ. Research. 1933. Pp. xxiv, 455. $4.00.)

This is, undoubtedly, the most thorough work that has ever been presented on the subject of seasonal variation. Many of the series of monthly data available in this country were initiated in the immediate post-war period. Thus, it has only been within the past few years that sufficient data have been available on which to base such a study. The work and study in the field of seasonal variation is constantly increasing, and it is fortunate that we now have such a valuable source book.

The book is divided into three parts and an appendix. The first part is devoted to the economic problem of seasonal variations and their statistical measure. Seasonal variation is caused by climatic factors, such as seasonal changes in temperature, precipitation, and length of days, and by conventional factors, such as religious observations, folk customs, fashions, business practices, holidays, and vacations. These climatic and conventional factors affect different activities in different ways and to varying extents. The influence is much more conspicuous in

the case of crop production than in steel output. Both the seasonal low in agriculture and the peak in department store sales occur in the winter.

Seasonal variation of monthly series is the standard analysis used in this study, since most records are available on a monthly basis. The seasonal variation is measured by the selected positional medians of the relatives to centered 12-month moving averages. This is a refinement of the method advocated by the Federal Reserve Board, which is undoubtedly one of the best measures of seasonal variation.

In testing the significance of the seasonal indexes, two measures are used. Both of the measures are utilized to compare the seasonal index with the percentage deviation of the original series from its centered 12-month moving average. The first measure is the standard error of the seasonal index for any calendar month. The second is the coefficient of correlation of the relationship between the deviations and the indexes of seasonal variation. Graphic inspection, the range of the actual indexes of seasonal variation, and conformity to non-statistical knowledge of the series are also discussed as tests of validity.

The second part of the study is devoted to average seasonal variation in various economic series. Separate chapters are devoted to food products; cotton and cotton textiles; automobiles, gasoline and rubber; construction; and elements other than industry and trade. In each of these chapters, the average deviation and range of the seasonal index of each of the series are presented. The causes of the seasonal movements are discussed and an explanation of the relationships shown between related series is given. Forty-two charts of seasonal movements are presented.

The variability of seasonal movements is presented in the third part of the study. Considered from a regional aspect, it is found that in certain industries in which climatic factors determine the timing of the seasonal swing, divergent seasonal patterns and amplitudes are shown in the different regions. The index of seasonal based on data for the United States total understates the significance of the seasonal swings. In other series influenced by climatic factors, the severity of seasons influences the amplitude and the seasonal swing. Little diversity between regions is shown in the pattern of the seasonal movement in manufacturing and distribution series since these series are primarily affected by conventional factors.

While considerable divergence is found in the timing of seasonal peaks and lows, the variation occurs between the major units of production and distribution. Close agreement is shown within each of these major groups, such as the agricultural commodities group, raw materials group, the finished commodities group, and the trade group.

An analysis is made to determine what changes, if any, have occurred in seasonal patterns over a period of years. This examination reveals that seasonal variation shows little change in time and that greater

stability is shown in series dealing with stocks of commodities than in production or shipments. There appears to be no relationship between changes in seasonal pattern and the absolute magnitude of the seasonal swings. The disturbances in seasonal pattern were concentrated in a few industries, and in these industries they occurred in the period of rapid readjustment immediately following the World War. The cause of shifts in seasonal pattern appears to be the changes in geographic source or use of certain raw materials and the growth in available markets, changes in the technique of storing and preserving, and increased emphasis on style for certain finished products.

In the chapter dealing with the relative amplitude of the seasonal swings, it is found that changes in the size of the seasonal swing were shown in most of the series. These changes in relative terms were unrelated to changes in the absolute values of the series. In the industries producing commodities in which the amplitude of the seasonal was increasing, this change was accompanied by larger surpluses of capital equipment and by greater instability in employment.

The material presented in the appendix should be valuable to all people dealing with time series. This section includes nearly 1,000 indexes of seasonal variation for 400 different series. The source of these series as well as of the other series presented in the study is given. The source material would be far more usable, however, if it were not necessary to secure the reference number of a given series from the section or index numbers and then refer to the series by number in the source section.

HOWARD G. BRUNSMAN

Ohio State University

Einführung in die Korrelationsrechnung, Heft I. *Theorie und Technik der Korrelationsanalyse*, Heft 5. By HANS RICHTER-ALTSCHÄFFER. Schriftenreihe des Instituts für Landwirtschaftliche Marktforschung. (Berlin: Parey. 1931; 1932. Pp. 58; 350. RM. 2.5; RM. 12.)

The author has written these two volumes to make correlation technique available to research workers in Germany who are not primarily mathematicians and who, therefore, have been unable to make sufficient use of treatises on correlation where emphasis has been placed upon mathematical precision of statement and upon a "highly scientific terminology." Despite the implied and the actual simplification of the book, however, its scope is such that beginners will find the going heavy in many places. The author spent several years with the European offices, in Vienna and Berlin, of the United States Department of Agriculture, and shows a wide familiarity with American as well as German literature. The volumes under review are published in the series of the Institute for Market Research in Agricultural Economics.

Volume I is a brief introduction to correlation procedure (58 pages). It differs from most texts in English in the emphasis placed upon probability theory as the foundation stone of correlation analysis. Upon the hypothesis that a large number of causal forces act to produce variation in a given set of variable values, estimation of individual values can be made in terms of mean values and deviations from means; and, if the distribution curve of actual values follows the distribution of chance events, the latter can be used for estimating the former. There follows a brief development of the binomial distribution. The normal curve is identified with this distribution (though the author undoubtedly appreciates the approximate character of this relationship) and the integral of the normal curve is used for setting limits to the range of actual observations.

The next step in estimation, which leads to correlation analysis, is taken through noting that the variation of one group of values is causally related to another and that an equation representing this relationship can be determined by use of the observations in the two groups. This leads, of course, to the regression equation and to its derivation by means of the usual normal equations. The standard error of estimate is then derived and from it the correlation coefficient. The scatter around the regression line is compared with the dispersion of the dependent variable to show the extent of improvement in forecast when the regression equation is set up.

The second volume, of 350 pages, is divided into two main sections or chapters, the first on the foundation, or theoretical background, of correlation analysis; the second on the analysis proper. There is a brief restatement of the meaning of correlation and its basis in probability theory, as given in the first volume; there are sections on probability theory, averages and dispersion of variables, functional relationships, least squares procedure and a brief outline of elements of the differential calculus and its use in the theory of minima and in the derivation of normal equations.

Chapter 2 contains the technical correlation analysis. Linear and nonlinear, simple and multiple correlation procedures are explained. Coefficients of correlation and of alienation are always derived first in their form as ratios of standard deviations—a device that seems to the reviewer to deserve especial credit.

Rather than describe in detail the content of Volume II, it seems sufficient to say that it is complete in the extreme; that all those features of modern correlation analysis that have been so prominent in recent years in economic research, and especially in America, have been included—not alone coefficients of simple, partial and multiple correlation but also coefficients of part-correlation and coefficients of total and of partial determination.

The book seems a very successful accomplishment of the purpose it set out to achieve. It is to be particularly commended for its emphasis on a probability foundation and for the attempt to differentiate between those variations which can be assigned to specific causes and those which must be classed under the heading of chance, or randomness. The style is clear and the presentation carefully and systematically arranged. There are a few minor points on which disagreement might be raised: for instance, interpreting the coefficient of correlation in percentage terms; and the rather uncritical acceptance of coefficients of determination to measure proportion of influence exerted by independent variables in a multiple regression.

BRUCE D. MUDGETT

University of Minnesota

NEW BOOKS

DOANE, R. R. *The measurement of American wealth.* (New York: Harper. 1933. Pp. xviii, 242. $4.)

HARTKEMEIER, H. P. *The supply function for agricultural commodities.* Stud., vol. vii, no. 4. (Columbia: Univ. of Missouri. 1933. Pp. 79. $1.25.)

The development and administration of an increasing body of economic legislation looking toward the control of prices and production, demands the development of new statistical techniques and the accumulation of new statistical data which will make possible the determination of supply and demand curves. To meet this Professor Hartkemeier has made a noteworthy contribution.

Just two commodities—corn and potatoes—are used in this study. Each was used because it seemed to satisfy fairly completely the requirements of the theoretical "closed economy." Because of unsatisfactory data and unusual times the period was necessarily limited to that from 1896 to 1914. Price and production data were readily accessible in the reports of the United States Department of Agriculture but the weather data were more difficult to obtain. In order to decide which weather information to use, it was necessary to determine a "potato belt" and a "corn belt" within which temperatures and rainfall for the "critical period" of growth had been collected. The "critical period" of growth for the two crops was taken as July, in accordance with the conclusions of H. L. van de Sande-Bakhuyzen, J. Warren Smith, Carl Alsberg and H. A. Wallace that July weather conditions are most important in the growth of both.

Various techniques are used in the study: trend ratios, link relatives, partial correlation, path coefficients (after the method of the biologist, Sewall Wright), and multi-curvilinear correlation. The last method seems to give the most satisfactory and comprehensible results.

Dr. Hartkemeier emphasizes the necessity of recognizing in the attempt to control agricultural production the importance of both exchange and weather conditions.

Contrary to frequently expressed opinion it was found that July temperature is of considerably more importance as a determinant of production than is rainfall. Of course, the author recognizes that his is not the curve of the neo-classicist. Neither is it that of "the complete function" of the mathematical school. It appears that farmers react with considerable

rationality to the deflated December 1 farm price of potatoes, but not to similarly treated prices for corn.

Unquestionably this monograph is a helpful addition to the libraries of both general students of modern economic theory and specialists in the quantitative determination of supply and demand curves.

LESTER S. KELLOGG

LIVI, L. *Elementi di statistica.* 3rd ed. (Padua: "Cedam." 1933. Pp. 409. L.40.)

MAULDON, F. R. E. *The use and abuse of statistics, with special reference to Australian economic statistics.* (Melbourne: Melbourne Univ. Commerce Students' Soc. 1933. Pp. 52.)

QUITTNER-BERTOLASI, E. *Das Verhältnis von Trend und Konjunkturzyklen als mathematisch-ökonomisches Problem.* Veröffentlichungen der Frankfurter Gesellschaft für Konjunkturforschung, Heft 7. (Leipzig: Hans Buske. 1933. Pp. 57. RM. 3.65.)

The Frankfurter Society for the Study of Conjuncture has published one more in the series of monographs discussing the problems of the analysis of the time series. Dr. Quittner-Bertolasi is as critical of the crude empiricism in the analysis of the time series as was O. Anderson in the first publication of the Frankfurter series (*Zur Problematik der empirisch-statistisches Konjunkturforschung*). In the second section of her study discussing various existing methods of the determination of the trend and of its elimination, Dr. Quittner-Bertolasi makes valuable remarks about the assumptions upon which these methods are based. With special attention she analyzes the assumptions on which is based the most popular method of the determination of trend in the form of a mathematical curve fitted by the method of least squares. She emphasizes that the most important problem in the finding of trend—the selection of the type of curve for the trend—cannot be solved in a purely empirical way, but requires preliminary theoretical analysis directed to the formulation of the law of the development which must be presented by the trend line.

In the last section of the study the author, on the example of several existing theories of the business cycle, tries to demonstrate that various theories suppose quite different relationships between the secular trend and cyclical fluctuations and for this reason require quite different mathematical treatment of the problem of separation of cyclical fluctuations and trend.

The value of the study is in its emphasis on the importance and necessity for a theoretical analysis and of the strict formulation of the assumptions for any even purely empirical statistical approach to the problems of the business cycle.

V. P. TIMOSHENKO

RHODES, E. C. *Elementary statistical methods.* (London: Routledge. 1933. Pp. 243. 7s. 6d.)

The Dow, Jones averages, with an explanation of the Dow theory. 7th ed. (New York: Barron's. 1933. $1.50.)

Statistical year-book of the League of Nations, 1932-33. (Geneva: League of Nations. Boston: World Peace Foundation. 1933. Pp. 292. $3.)

The tables in this series cover population, including age, marriages, births and deaths; unemployment and industrial disputes; production and consumption of commodities; commerce and transportation; public finance, currency and prices. The text is in French and English.

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In the Trade Information Series has appeared Bulletin No. 817, *Channels of Distribution of American Merchandise in India*, by W. C. Flake (pp. 21, 10c.).

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The federal Department of Agriculture has issued Bulletin No. 41, *Wheat Futures: Volume of Trading, Open Commitments and Prices from January 2, 1930, to December 31, 1932* (Sept., 1933, pp. 110, 10c.). This contains daily opening, high, low and closing prices of wheat futures on the Chicago Board of Trade and graphic charts for the May futures over the three-year period. It is a supplement to Statistical Bulletin No. 31 covering the period 1921-1929.

The Federal Trade Commission under date of November 24, 1933, released its report in regard to chain-store discounts and allowances in the drug trade (Washington, mimeographed pp. 7).

The Tariff Commission has issued Report No. 68, covering a *Report to the President on Cotton Velveteens and Velvets* (pp. 38, 5c.); Report No. 69, *Fishery Products* (pp. 351, 25c.).

Labor

The federal Bureau of Labor Statistics has issued the following bulletins:

No. 580, *Wages and Hours of Labor in the Bakery Industry—Bread and Cake Departments: 1931* (May, 1933, pp. 104, 10c.).

No. 581, *Laws relating to Employment Agencies in the United States as of January 1, 1933* (May, 1933, pp. 164, 15c.).

No. 584, *Wages and Hours of Labor in Woolen and Worsted Goods Manufacturing, 1932* (July, 1933, pp. 64, 10c.).

No. 585, *Labor Productivity in the Automobile Tire Industry*, by Boris Stern (July, 1933, pp. 74, 10c.). An extended note on this will be found in the December, 1933, issue of the *Review*, p. 746.

No. 586, *Wages and Hours of Labor in the Lumber Industry in the United States: 1932* (pp. 67, 10c.).

No. 587, *Wages and Hours of Labor in Rayon and Other Synthetic Yarn Manufacturing: 1932* (August, 1933, pp. 32, 5c.).

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No. 594, ***Wages and Hours of Labor in the Men's Clothing Industry: 1932*** (pp. 65, 10c.).

The Women's Bureau of the federal Department of Labor has issued Bulletin No. 106, ***Household Employment in Chicago,*** by B. E. Johnson (pp. 61, 10c.); No. 110, ***The Change from Manual to Dial Operation in the Telephone Industry,*** by E. L. Best (pp. 15, 5c.).

Annual reports are:

Public Doc. No. 104, ***Annual Report of the Department of Labor and Industries of the Commonwealth of Massachusetts for the Year Ending November 30, 1932*** (Boston, pp. 193).

Legis. Doc. No. 21, ***Annual Report of the Industrial Commissioner of the State of New York for the Twelve Months Ended December 31, 1932*** (Albany, pp. 136).

Report of the Department of Labour of the Dominion of Canada for the Fiscal Year Ending March 31, 1933 (Ottawa, pp. 75).

The Division of Statistics and Information under the Industrial Commissioner of New York State has issued a compilation of ***Labor Law with Amendments, Additions and Annotations to September 1, 1933*** (Albany, pp. 194). Also ***Workmen's Compensation Law and Industrial Board Rules with Amendments, Additions and Annotations to November 1, 1933*** (Albany, pp. 195).

Public Finance

There have been received the following annual reports:

Nineteenth Annual Report of the South Carolina Tax Commission (Columbia, 1933, pp. 100).

Annual Report of the New York State Tax Commission, 1932 (Albany, 1933, pp. 386).

Annual Report of the Commissioner of Corporations and Taxation of the Commonwealth of Massachusetts for the Year ending November 30, 1932 (Boston, 1933, pp. 287).

Henry Walcott Farnam

The death of Professor Henry Walcott Farnam of Yale, on September 5, 1933, removes from the ranks of economists a unique figure.

Although he had independent means and, instead of taking his salary from the University, contributed generously to the University's support, he was one of the most hard working of men. This was because he regarded not only his wealth but his brains and his life as held in trust for the benefit of his fellow men. Primarily Henry Farnam was a philanthropist. One could scarcely mention any activity of his which was not fundamentally altruistic.

It must have been largely his altruistic and conscientious spirit which led him to choose economics as a profession. Certain it is that his thorough training in economics fitted him to be an inspiring teacher, a wise giver, and a supremely effective participant in the discussion of all great public questions.

I first knew him, over forty years ago, as a teacher in the theory and practice of taxation—the most interesting teacher I ever had in that supposedly dry subject. A little later I heard him speak at a political rally in 1892 in favor of a lower tariff. I remember his saying, "People ask why we economists have gone over to the Democratic party. We have not. That party has come over to us!" In politics, as in every department of life, he was an independent. His only partisanship was based not on prejudice, tradition or class consciousness but on principle. He invariably stood for what seemed to him fundamentally right as representing his reasoned conclusions reached by careful study. Like Huxley's ideal scientist he had only one sort of fanaticism—fanaticism for the truth. He had a great and warm heart but he never allowed it to deceive his unusually clear head.

He took a generous interest in the work of his students. I shall never forget his lively interest in my doctor's thesis. Doubtless this had something to do with my choosing economics as a profession. In that youthful work I described an imaginary mechanical illustration of the laws of supply and demand. Out of his own pocket he paid for the construction of an expensive model of this machine with the purpose of sending it to the Chicago World's Fair in 1893. With the years we grew to be intimate friends. There are few whose friendship has meant so much to me, both personally and from the practical point of view of effective coöperation.

He was born November 6, 1853. His father was president of the Rock Island Railroad and partner of Joseph E. Sheffield, founder of the Sheffield Scientific School of Yale University.

Professor Farnam studied in Germany, before entering Yale. At Yale he took high rank in scholarship and in the social life of the College. After graduating in 1874, he studied Roman law and economics in the Yale Graduate School, taking the M.A. degree in 1876. He then again went to Germany, studying at the Universities of Berlin, Strassburg and Goettingen. He took the R.P.D. degree *magna cum laude* at the University of Strassburg in 1878. Returning to Yale, he was tutor in Latin (1879-1880) and professor of political economy (1880-1912), professor of economics (1912-1918) and professor emeritus since 1918. He was a member of the Yale Graduate School faculty (1903-1918) and of the governing board of the Sheffield Scientific School (1881-1903). He put through the movement to save and restore Connecticut Hall (1905). He received from Yale the degree of LL.D. (1923).

He was President of the Connecticut State Conference of Charities and Corrections (1910-11). During the war he was chairman of the Community

Labor Board under the federal government (1918-19), chairman of the Executive Committee of the Senior Service Corps (1917-19), member of the Publicity and Educational Committees of the State Council of Defense (1917) and of the Executive Committee of the New Haven War Bureau (1918) and of its Subcommittee on Woman's Labor. He was active in the League to Enforce Peace and worked earnestly in favor of the League of Nations; he was on the Prudential Committee of the New Haven Hospital (1882-87), president (1920-27), and director (1904-1927); he was president of the Connecticut Training School for Nurses; member of the Board of Trustees of Hopkins Grammar School from 1900 and president from 1927 to his death; he was trustee of the New Haven Orphan Asylum; director of the New Haven Community Chest (1924-25); member of the World Court Committee of New Haven (1925); director of the New Haven Rotary Club; he was a very active member of the Colby Club consisting of a number of prominent men, mostly of New Haven. This club was partly social but its meetings usually revolved around a discussion of current problems. He was a member of the American Economic Association, president (1910-1911); vice-president of the New Haven County Anti-Tuberculosis Association and of the Consumers League of Connecticut, a trustee of Calhoun Colored School (Alabama) and a member of the Council of Yale-in-China. He was a member of the Elizabethan Club, and Center Church (Congregational), New Haven; member of the Advisory Council of Peabody Museum and of the Connecticut Committee of Human Welfare Group; secretary of the Class of 1874 (1904-1914), acting secretary (1930-31), and secretary since 1931; also treasurer; he was Alumni Fund agent for the Class of 1874 since 1932; he had a farm and woodland (370 acres) at Stockbridge, Massachusetts. Civil Service reform—in New Haven, in Connecticut and in the nation—engaged his attention throughout his working life. For twenty-two years he served as chairman of the State Commission of Sculpture.

He converted the *New Englander and Yale Review* into the *Yale Review*, subsidized it, and devoted it largely to economics. He was for many years its chief editor; but withdrew it from this field when the *American Economic Review*, representing the whole American Economic Association, was established.

Between 1903 and 1916, he worked as one of the collaborators of the department of economics and sociology of the Carnegie Institution of Washington, and from 1910 to 1916 was chairman of that department. The department reorganized then as the "Board of Research Associates in American Economic History," and he was chairman-treasurer of that Board until his death. In this work he edited seven volumes of *Contributions to American Economic History*, the last volume having been published in 1933. At the time of his death he was engaged in writing in this series, a volume on *A History of Social Legislation in the United States*.

He was the author of *Economic Utilization of History* and of numerous economic articles and editorials in the *Yale Review* and in German publications. He was author of *Die Innere Französische Gewerbepolitik von Colbert bis Turgot* (1878), *Die Amerikanischen Gewerkvereine* (1879), *Memoir of Henry Farnam*, his father (1889) *Deutsch-Amerikanische Beziehungen in der Volkswirtschaftslehre*, in Schmoller's *Festgabe* (1908), chapters on "Government Insurance and Workingmen's Insurance in Germany" in *Yale Readings in Insurance* (1909), and *The Economic Utilization of History* (1918). As a

diversion, he wrote in 1931 an interesting little book on *Shakespeare's Economics*.

The American Association for Labor Legislation was founded by him. As its president between 1907 and 1910 he helped the enactment of various labor laws, including the national law suppressing the poisonous phosphorous match industry, the source of "phossy jaw." Other countries had rid themselves of this terrible disease long before. Through him at last the United States did likewise.

The economics of the alcohol problem interested him deeply. In 1899, as a member of the famous Committee of Fifty, he edited the volume on *Economic Aspects of the Liquor Problem*. When twenty years later the prohibition controversy arose, this solid work of the Committee of Fifty provided one of the chief foundations for arguments on both sides. After careful study, he himself took sides in favor of prohibition, because no better solution of the liquor problem seemed to him available. He wrote many very able articles in support of law enforcement.

He was also greatly interested in the tobacco problem, which was to him partly an economic and partly a hygienic problem, and helped organize and subsidize a committee for its study, which published several scientific monographs on tobacco in its various aspects.

While the economic aspects of the great problems of his time were at the center of his studies, his activities branched out in many directions of public service. He early became interested in "Lowell House"—the first social settlement in New Haven—and he gave the building in New Haven and also the vacation house at the shore. He also led a tenement house investigation in New Haven.

He married June 26, 1890, in New Haven, Elizabeth Upham Kingsley.

He was buried in Grove Street Cemetery, New Haven. He is survived by his wife, two daughters, one son and three grandchildren. By the terms of his will his library was left to Yale University.

IRVING FISHER

Nathan Austin Weston

Nathan Austin Weston, professor of economics at the University of Illinois, died suddenly at his home on November 29, 1933.

Mr. Weston was born in Champaign, Illinois, in 1868. He attended the local schools and in 1885 entered the University of Illinois, receiving his bachelor's degree in 1889 and his master's in 1898. From 1897 to 1899 he held fellowships at the Universities of Wisconsin and Cornell. In 1901 he received his doctor's degree from the latter institution. During 1910-11 he spent a year at the University of Berlin. After a year as assistant in economics at Cornell he returned to his alma mater in 1900 where he served as teacher of economics, assistant director of courses in business administration, and from 1915 to 1919 as acting dean of the College of Commerce and Business Organization. During practically all of his career he served as a member of numerous college and university committees, and on all of them his sound judgment and intimate knowledge of academic conditions made him an especially valuable member. His last service of this kind was as chairman of the Senate Committee on Educational Policy for 1932-1933.

His success as a teacher of graduate students was so conspicuous that

in 1920 he was made graduate adviser for students in economics and thereafter taught only graduate courses. In this work he was at his best, insisting upon a broad and rigorous training, requiring not only wide knowledge and history of the subject matter but ability to analyze and think logically in the field of study. The graduate students found in him an inspiring teacher and friendly counselor. Mr. Weston was a man of wide reading in his chosen field, possessing one of the best private libraries in economics in the Middle West. A man of firm convictions, he was tolerant of others' opinions and in matters of policy he willingly followed the views of his colleagues. Although Professor Weston did not publish much, his influence on economic thought and teaching was widespread and profound. The men and women who studied under him have carried his views and methods into every part of the globe. He has left his impression through men rather than through books.

E. L. B.

NOTES

The Nominating Committee of the American Economic Association has been appointed as follows: Walter F. Willcox, 3 South Avenue, Ithaca, New York, chairman; J. S. Davis, Stanford University; Isador Lubin, Brookings Institution; E. T. Miller, University of Texas; Selig Perlman, University of Wisconsin; Ray B. Westerfield, Yale University. Members are invited to send to the chairman of the committee the names of persons whom they would like to have considered for each of the elective offices: namely, president, first vice-president, second vice-president and two members of the Executive Committee.

At the recent annual meeting, a change in the method of election was adopted which provides for a referendum mail vote as the method of electing all elective officers of the Association. A Nominating Committee, appointed by the president, will present to the members two names for each elective office, and the members will be asked to express their choice by a referendum ballot. The positions of managing editor and secretary-treasurer have been made appointive by the Executive Committee. The Program Committee has been made appointive by the president, with the advice and consent of the Executive Committee. The Board of Editors has been made appointive by the managing editor, with the advice and consent of the Executive Committee. This new method of election will go into effect this year. Ballots will be submitted the first of November, and the return ballot must be in the hands of the secretary not later than December 15.

The following names have been added to the membership of the American Economic Association since November 1:

Affleck, B. F., 208 S. LaSalle St., Chicago, Ill.
Baysinger, R. H., Box 89, Dewitt, N.Y.
Behringer, E. N., Dept. of Social Science, North Texas Agricultural College, Arlington, Texas.
Blaisdell, W. W., Temple University, Philadelphia, Pa.
Bodfish, H. M., 200 E. Chestnut, Chicago, Ill.
Boudin, L. B., 70 W. 40th St., New York City.
Bowman, M. J., 938 Centre St., Newton Centre, Mass.
Bryan, M. H., 552 Cobb St., Athens, Ga.
Burgess, E. W., University of Chicago, Chicago, Ill.
Buxton, W., Peoples Trust and Savings Bank, Indianola, Iowa.
Cahn, R. D., 202 Vine Ave., Highland Park, Ill.
Calder, P. R., 1 Federal St., Boston, Mass.
Caskey, W. H., 35 E. Daniel St., Champaign, Ill.
Chadbourne, W. W., University of Maine, Orono, Maine.
Chawner, L. J., Lincoln Hall, Cornell University, Ithaca, N.Y.
Coit, C. G., 400 W. 118th St., New York City.
Colfelt, N., Rollins College, Virginia.
Conant, H. J., Vermont State Library, Montpelier, Vt.
Crowder, E. T., Jr., 11 Dominick St., New York City.
Decker, O. P., American Nat. Bank and Trust Co., Michigan Ave. and Jackson Blvd., Chicago, Ill.
De Ford, H. J., 1335 Birchwood Ave., Chicago, Ill.
Dolezel, K., Brezinova 33, Brno 16, Czechoslovakia.
Donovan, C. H., 215 Vance St., Chapel Hill, N.C.
Dunn, S. O., 105 W. Adams St., Chicago, Ill.
Dutt, S. C., 18, Annada Banerjee Lane, Elgin Rd. P.O., Calcutta, India.
Dyche, W. A., 619 Clark St., Evanston, Ill.
Edmondson, S. P., 431 Riverside Dr., New York City.
Feiler, A., 3216 Oxford Ave., New York City.
Fentress, C., 208 S. LaSalle St., Chicago, Ill.
Fields, M. J., 45 Holyoke House, Cambridge, Mass.

Fowler, E. F., Am. Assoc. of Personal Finance Companies, 712 Tower Bldg., Washington, D.C.
Galyer, R. F., P. O. Box 20, Wanganni, New Zealand.
Gignilliat, H. C., 719 Noyes St., Evanston, Ill.
Gunselman, M. A., Dept. of Household Economics, Kansas State College, Manhattan, Kansas.
Hanchett, D. S., Fieldston School, Fieldston Rd., New York City.
Heimann, E. A., Juniata College, Huntingdon, Pa.
Hicks, C. M., University of Nebraska, Lincoln, Neb.
Higgins, E. W., Baldwin Locomotive Works, Philadelphia, Pa.
Holdsworth, J. T., University of Miami, Coral Gables, Fla.
Horne, G., Assumption College, Sandwich, Ontario, Canada.
Humphrey, D. D., Williamstown, Mass.
Huston, J. W., 5435 Kenwood Ave., Chicago, Ill.
Irland, L. D., 121 Division St., East Lansing, Mich.
Jacoby, N. H., 619 S. Walnut St., Springfield, Ill.
Jekel, O. H., 117 W. Woodbine Ave., Kirkwood, Mo.
Judson, C., 2256 Lincoln Park West, Chicago, Ill.
Kaufman, A. C., 521 Fifth Ave., New York City.
Keir, J. S., Dennison Mfg. Co., Framingham, Mass.
Kherian, G., Le Universite, Hanoi, Indo-China.
Lawres, I. A. J., National Credit Office, 2 Park Ave., New York City.
Maas, H., 5879 Nina Place, St. Louis, Mo.
Marsh, L. C., Dept. of Social Research, McGill University, Montreal, Canada.
Mayer, R. W., 30 E. Market St., Bethlehem, Pa.
Montgomery, A. B., 60 Merrill Rd., Watertown, Mass.
Moulton, E. S., 1351 Girard St., N.W., Washington, D.C.
Myers, R. J., 5532 Kenwood Ave., Chicago, Ill.
Neisser, H., 227 Kenyon Ave., Swarthmore, Pa.
Nielsen, A., Clausensvej 18, Gentofte, Denmark.
Noetzel, G. A. J., University Club, 803 State St., Madison, Wis.
O'Connor, J. M., 301 E. 38th St., New York City.
Osborne, E. L., 5634 Delafield Ave., Riverdale-on-Hudson, N.Y.
Paschal, E., Eureka College, Eureka, Ill.
Posner, S. I., Room 3035 Commerce Bldg., Washington, D.C.
Preston, S. W., Box 212, Chapel Hill, N.C.
Raver, P. J., 124 S. Lombard Ave., Oak Park, Ill.
Reed, L. S., Dept. of Economics, University of Texas, Austin, Texas.
Robinson, T. H., Colgate University, Hamilton, N.Y.
Rogers, J. H., Dept. of Commerce, Office of Secretary, Washington, D.C.
Ross, M. O., Earlham College, Richmond, Ind.
Shields, J. L., Colorado Agricultural College, Fort Collins, Colo.
Shillinglaw, D. L., 120 S. LaSalle St., Chicago, Ill.
Shiskin, B. B., 722 Jackson Pl., Washington, D.C.
Simpson, F. R., Pioneer Hall, University of Minnesota, Minneapolis, Minn.
Simpson, J. L., 46 William St., New York City.
Slade, H. S., 15 W. 55th St., New York City.
Smith, J. J., University of Virginia, 1306 Park Pl., University, Va.
Stinebower, L. D., Brookings Institution, 722 Jackson Pl., Washington, D.C.
Swanish, P. T., 1673 Pratt Blvd., Chicago, Ill.
Talbot, B. A., 567 Prospect Blvd., Pasadena, Calif.
Taylor, J. S., R.F.D. 6, Bethesda, Md.
Tereshtenko, V. I., 2 E. 120th St., Apt. 9, New York City.
Toohey, P. G., Rockhurst College, 5225 Troost Ave., Kansas City, Mo.
Vance, R. B., University of North Carolina, Chapel Hill, N.C.
Van Sant, E. R., 3216 Montebello Ter., Baltimore, Md.
Van Toor, J. E., Farrar and Rinehart, Inc., 9 E. 41st St., New York City.
Ward, J. E., Jr., No. 5 Jack Jouett Apts., University, Va.
Waters, R. H., 4704 Grant Ave., Forrestdale, Philadelphia, Pa.
Weimer, A., Alma College, Alma, Mich.
Wickens, D. L., 1620 Eye St., N.W., Washington, D.C.
Willis, J. B., c/o Jewel Tea Co., Barrington, Ill.
Wood, L. A., Dept. of Economics, University of Oregon, Eugene, Ore.
Woodbury, G. C., 1126 E. 59th St., Chicago, Ill.

Wright, W., State Bank and Trust Co., Evanston, Ill.
Wunder, C. S., 743 Oliver Bldg., Pittsburgh, Pa.
Wythe, G., 401 23rd St., Washington, D.C.
Yoder, D., State University of Iowa, Iowa City, Iowa.
Zdanis, F., 2726 Yale Station, New Haven, Conn.
Zempel, A., Allegheny College, Meadville, Pa.

In the latter part of December there was a meeting of a small group of those especially interested in the monetary policy of the government. This group presented the following conclusions:

We disapprove those aspects of the monetary policy pursued by the government which are destroying public confidence in the value of the dollar, are distorting the normal movement of investment funds and discouraging sound investments, thereby retarding an orderly and enduring recovery. It is undesirable to subject the money, the savings and the trade of the American people to the uncertainties of arbitrary political policies.

The present policy of monetary experimentation should be abandoned immediately.

Efforts to depreciate the value of the United States dollar by manipulation should be stopped. A definite policy of returning to a gold standard should be adopted immediately.

Announcement of the adoption of this policy would tend to dissipate the widespread fear of inflation and reduce the financial demoralization now retarding recovery. The necessary amount of money will flow into circulation with the increase in production activities.

Criticism of the monetary policy of the government is not to be interpreted as an attack upon the general recovery program of the Administration.

The first steps toward the organization of this Committee were taken in New York City, November 17, 1933. Subsequent meetings were held later on November 24 and December 15 to forward the plans of the organization. The Executive Committee is composed of the following: Arthur B. Adams, University of Oklahoma; James W. Angell, Columbia University; James W. Bell, Northwestern University; Neil Carothers, Lehigh University; George W. Dowrie, Leland Stanford University; J. F. Ebersole, Harvard University; Edwin W. Kemmerer, Princeton University, honorary chairman; David Kinley, University of Illinois; Wesley C. Mitchell, Columbia University; John T. Holdsworth, University of Miami; Ernest M. Patterson, University of Pennsylvania; Harold Reed, Cornell University; William A. Scott, University of Wisconsin; Walter E. Spahr, New York University, secretry-treasurer; O. M. W. Sprague, Harvard University; Ray B. Westerfield, Yale University, president; H. Parker Willis, Columbia University; John P. Young, Occidental College.

This body of economists wishes to make clear to the public that the organization is operating independently of all other groups, that it intends to do all in its power to inform the public on the current monetary issues, to go on record against monetary policies which it considers unwise in the light of monetary principles and history, and to offer constructive suggestions to the Administration whenever the government will entertain them. It will gladly accept financial support from those who wish to contribute to its work, provided the funds are given without reservations and are placed at the disposal of the Executive Committee to be used as it sees fit. The Executive Committee expects to publish in the near future a national roster of speakers

which will be placed at the disposal of the public, and to publish from time to time information which it believes the public and the government should have.

The twelfth annual conference of the Pacific Coast Economic Association, held December 27-28, 1933, at Seattle, was devoted chiefly to discussion of the two recovery acts, the emergency banking laws and executive orders, the securities act, and the effects of the Administration's monetary policy on trade with the Far East. The papers will shortly be published under the editorship of Professor John B. Canning of Stanford University. The following officers were elected for 1934: president, Reid L. McClung, University of Southern California; vice-president, John Parke Young, Occidental College; secretary-treasurer, James K. Hall, University of Washington; editor, John B. Canning, Stanford University; executive committee, Stuart Daggett, University of California; R. C. Line, University of Montana; W. L. Wanlass, Utah Agricultural College; E. F. Dummeier, Washington State College, in addition to the above officers. Articles of incorporation in the State of California were adopted and the following trustees elected: Clement Akerman, Reed College; John B. Canning, Stanford University; A. C. Schmitt, San Quentin, California. The 1934 (thirteenth) economic conference will be held at Occidental College, December 27-28, 1934.

The National Research Council has organized a Commission of Inquiry on a National Policy in Foreign Relations, which hopes to present the first volume of its report by October. The major problems to be taken up are the tariff and commercial policy, foreign investments and the future of foreign lending, and the international monetary system. A series of public hearings beginning in May will be held in different parts of the country. Written memoranda will be requested from large industrial and commercial houses having research staffs. Importers and exporters will be interviewed. A second volume containing a considerable amount of the fundamental data will appear later. The members of the Commission of Inquiry are: President R. M. Hutchins of the University of Chicago; William T. Gardiner, former governor of Maine; Carl L. Alsberg, director of the Stanford Food Research Institute; Isaiah Bowman, chairman of the National Research Council, Guy S. Ford, University of Minnesota; Beardsley Ruml, University of Chicago; Alfred H. Stone of the Staple Cotton Coöperative Association, and Alvin H. Hansen, University of Minnesota, secretary. The headquarters of the Commission are located at Room 2725, 230 Park Avenue, New York City.

A consolidated index of the four volumes of *Social Science Abstracts,* 1929-1932, has been prepared by the editorial staff, which has now discontinued operations. This includes a subject index, author's index and a list of periodicals and serials in the social sciences. Reprints of the list may be procured from the Banta Publishing Company, Menasha, Wisconsin (20c.).

A new international quarterly on political and social science, *Social Research,* is announced by the graduate faculty of political and social science organized under the New School for Social Research (66 West Twelfth Street, New York City). The first number, February, 1934, contains the following articles: "Social Control vs. Economic Law," by Emil Lederer; "Sociological Preconceptions of Economic Theory," by Eduard Heimann; "Toward a Panic-Proof Industrial Structure," by Karl Brandt; "The Pres-

sure for Monetary Depreciation," by Arthur Feiler; "Why the Papen Plan for Economic Recovery Failed," by Gerhard Colm; "New Aspects of Unemployment in Germany," by Frieda Wunderlich; "The Salaried Employee in Modern Society," by Hans Speier. This first issue is devoted entirely to leading articles, and is the product of the faculty of the New School. Later issues will include notes and critical reviews of books. (Subscription $2.00 a year.)

The first number of the *Journal of the Osaka University of Commerce* appeared in September, 1933 (Maruzen Company, Tokyo and Osaka, price per number yen 1.50). This journal is to be published once a year.

The Macmillan Company announces that there will shortly appear *The Cambridge Economic History,* a companion set to *The Cambridge Medieval History* and *The Cambridge Modern History.* It will be under the general editorship of A. H. Clapham and Dr. Eileen Power.

During the past year the Industrial Research Group (Box 24 Schermerhorn, Columbia University) has published a series of research bulletins on the following subjects: *The American Working Class; Social Consequences of the Depression; New Fields for Social Research; The Socialization of Industries; Labor under the N.R.A.* These bulletins are available for distribution without charge.

Students of monetary policy will be interested in the monthly issues of *Farm Economics,* published by the Department of Agricultural Economics and Farm Management. These bulletins contain statistical compilations of business conditions and prices with index numbers (New York State College of Agriculture, Ithaca, New York).

President R. B. von KleinSmid of the University of Southern California announces the organization and establishment of a Bureau of Business Research in connection with the College of Commerce and Business Administration. Beginning with the current year this new research bureau will publish a monthly report on business and financial conditions based on researches in business practice. Dr. John G. Schaffer, professor of banking and finance, and Dr. T. H. Ross, professor of industrial management, will have joint responsibility for the work of this new department under the general direction of Dr. Reid L. McClung, dean of the College of Commerce.

The second Conference on Business Education will be held at the University of Chicago, June 27-28, 1934, under the auspices of the School of Business. The subject will be "Business Education and the Consumer."

Brookings Institution: Dr. Karl Pribram, of the University of Frankfurt, has been appointed a member of the staff of the Institute of Economics for a period of two years, beginning January 1, 1934. Dr. Pribram will collaborate on the study which the Institute is making of the N.R.A. experiment. Temporary appointments have also been accepted by R. T. Beall, Gustav Seidler, Rufus Tucker, and Arthur Wubnig.

Members of the Institute of Economics staff who are coöperating in government projects are: Dr. Lewis L. Lorwin, who has accepted a temporary part-time position with the National Planning Board; and Charles L. Dearing

who has been loaned to the N.R.A. Cyril B. Upham, for a short time connected with the staff, has accepted a position with the Treasury.

Institute of Economics research projects recently brought to completion are: *Current Monetary Issues,* by Leo Pasvolsky; *The Economics of Free Deals,* by Leverett S. Lyon; *The British Attack on Unemployment,* by A. C. C. Hill and Isador Lubin; and *Economics of Air Mail Transportation,* by Paul T. David.

Mr. Felix Morley has resigned from the staff of the Brookings Institution to accept the editorship of the *Washington Post.*

Appointments and Resignations

E. W. Burgess of the University of Chicago has been Economic Adviser to the Director of Processing of Marketing in the A.A.A. With the transfer of most of the A.A.A. codes to N.R.A. he has gone over to the N.R.A. as Senior Assistant Deputy Administrator.

Edward H. Chamberlin, assistant professor of economics at Harvard University, has been granted leave of absence for the second semester to work with the Committee on Government Statistics and Information Service in Washington.

John D. Clark, professor of economics at the University of Denver, now on leave of absence, has been appointed to a post in the United States Treasury.

D. B. Copland, of Melbourne University, was a guest of the department of economics at Harvard University during January.

Anton J. de Haas of the Harvard Graduate School of Business Administration will be a visiting professor in commerce and economics at the next summer session of the University of Southern California.

Calvin B. Hoover, professor of economics at Duke University, will give about half of his time during the spring semester to working in Washington as economic consultant to the Secretary of Agriculture. He will continue his courses offered in the Graduate School of Duke University.

R. S. Howey has been promoted from instructor to assistant professor of economics at the University of Kansas.

Harold D. Koontz of the Yale Graduate School has taken charge of the classes formerly taught by Dr. John P. Troxell at Duke University.

Edwin Ashley Lamke of the Brookings Institution has been appointed to the faculty of the Graduate School of the American University for the second semester, 1933-34. He will give a course on selected banking problems.

J. L. Leonard, chairman of the department of economics at the University of Southern California, has been appointed chairman of the Los Angeles Regional Labor Board under the National Labor Board.

Thomas J. Mills, graduate assistant in the department of economics at the University of Pittsburgh, will spend the remainder of the year as an investigator for the Special Tax Commission of Connecticut.

E. B. Mittelman of the School of Business Administration of the University of Oregon has been appointed public representative of a legislative committee of three to study unemployment insurance and report to the 1935 session of the legislature.

W. A. Murphy of Southwestern College, Winfield, is an instructor in economics at Kansas State College.

Gustav Peck is in charge of the N.R.A. code analysis for labor.

Carl Raushenbush has been granted a leave of absence from Washington Square College, New York University, and has accepted a position as economist on the Labor Advisory Board.

Carl B. Robbins has resigned as associate professor of economics at Stanford University and is now with the California and Hawaiian Sugar Refining Corporation, Ltd.

David Rozman of the department of agricultural economics at Massachusetts State College is giving a series of lectures on part-time farming under the auspices of the Institute of Rural Economics, Rutgers University.

G. T. Starnes of the University of Virginia will be a visiting professor in commerce and economics at the summer session of the University of Southern California.

Roy L. Thompson, head of the department of economics at Louisiana State University, has been granted a leave of absence for the current year to serve as special adviser to the Production Credit Corporation at New Orleans.

John P. Troxell recently resigned as associate professor of economics and business administration at Duke University to accept an appointment as administrator of labor relations with the Shoe Manufacturers' Board of Trade of New York.

Leslie T. Tupy, associate professor of accounting at the University of Kansas, has been granted a year's leave of absence to serve as the State Blue Sky Commissioner.

Vance Wadhams has been appointed assistant instructor in accounting at the University of Kansas.

George W. Westcott of Iowa State College has been appointed extension professor of agricultural economics at Massachusetts State College.